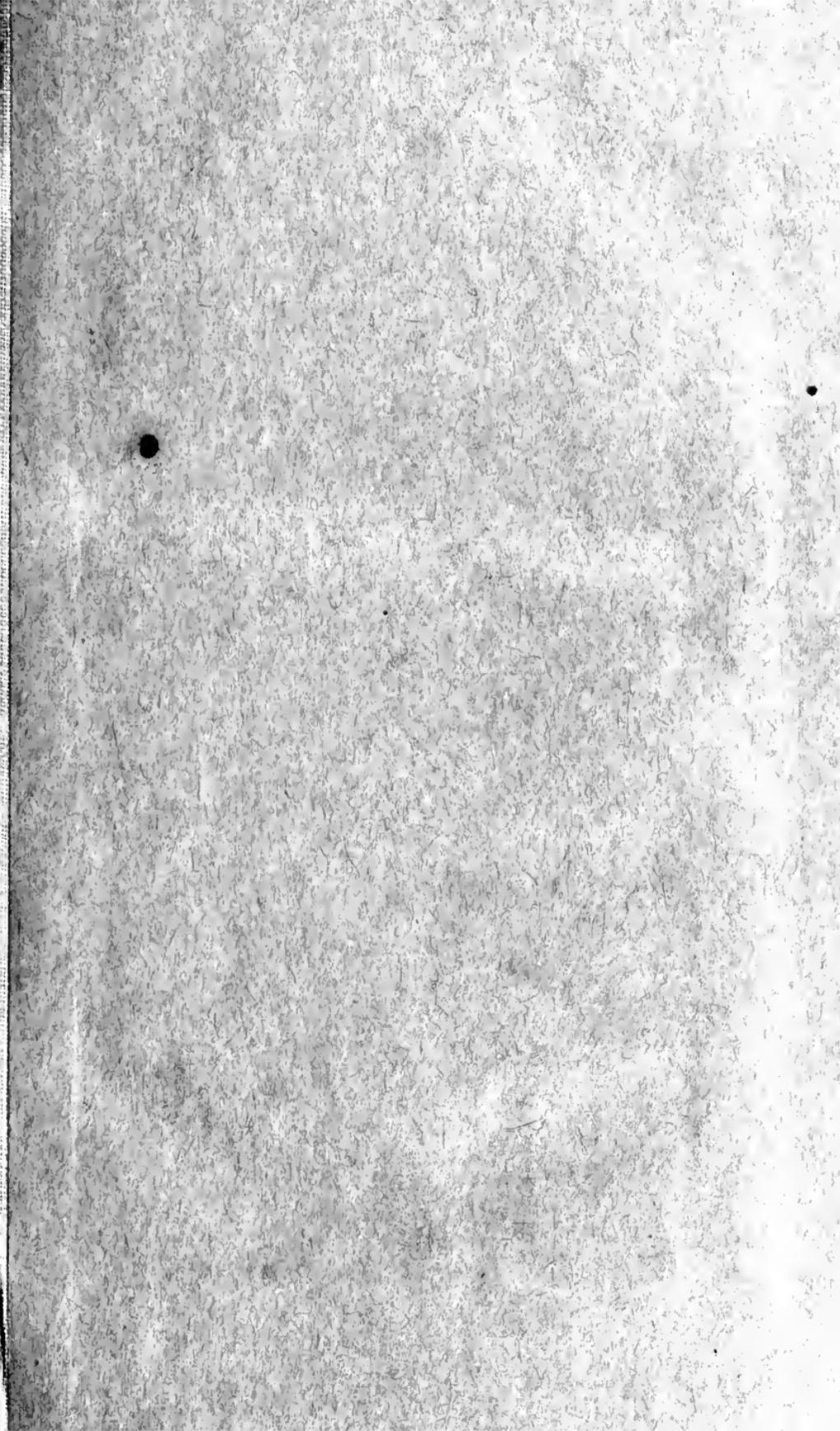


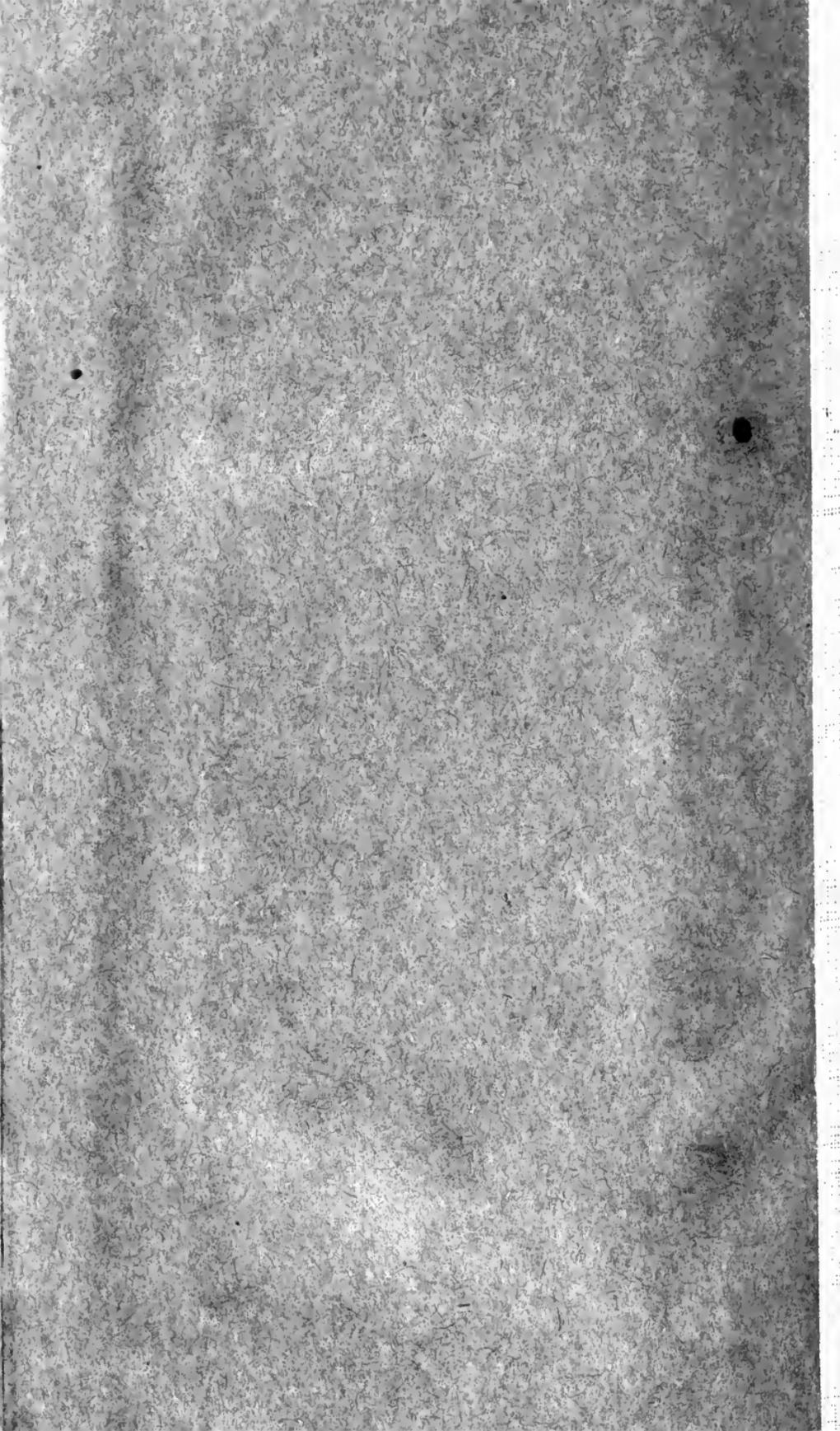


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A

PRACTICAL TREATISE

ON

BANKING,

containing an account of the

LONDON AND COUNTRY BANKS;

EXHIBITING THEIR SYSTEM OF BOOK-KEEPING — THE TERMS ON WHICH
THEY TRANACT BUSINESS—THEIR CUSTOMS IN REGARD TO BILLS OF
EXCHANGE—AND THEIR METHOD OF MAKING CALCULATIONS.

— Also a view of

JOINT STOCK BANKS,

and the

BRANCH BANKS

of the

BANK OF ENGLAND:

Likewise ample information respecting the

BANKS OF SCOTLAND AND IRELAND:

with

A SUMMARY OF THE EVIDENCE DELIVERED BEFORE THE PARLIAMENTARY
COMMITTEES, RELATIVE TO THE SUPPRESSION OF NOTES UNDER
FIVE POUNDS IN THOSE COUNTRIES.

BY

JAMES WILLIAM GILBART.

LONDON:

PUBLISHED BY EFFINGHAM WILSON, ROYAL EXCHANGE; J. RIDGWAY,
PICCADILLY; WESTLEY AND DAVIS, STATIONERS COURT; WESTLEY
AND TYRELL, DUBLIN; AND WAUGH AND INNES, EDINBURGH.

1827.

[PRICE TWO SHILLINGS AND SIXPENCE.]

Section 1.—Introductory Observations.

“WHAT is it that we call a Banker? There is in this city a company or corporation, called goldsmiths, and most of those called bankers are of that corporation; but so far as I know, there is not a company or corporation in England called bankers, nor has the business any definition or description either by common law or by statute. By custom we call a man a banker who has an open shop, with proper counters, servants, and books, for receiving other people’s money, in order to keep it safe, and return it upon demand; and when any man has opened such a shop, we call him a banker, without enquiring whether any man has given him money to keep or no; for this is a trade where no apprenticeship is required, it having never yet been supposed that a man who sets up the trade of banking, could be sued upon the statute of Queen Elizabeth, which enacts, that none shall use any art or mystery then used, but such as have served an apprenticeship in the same.* This is an extract from a speech delivered in the House of Commons in the year 1746: and I shall attempt no better definition of the art and mystery of a banker.

The term bank is derived from *banco*, the Italian word for bench, as the Lombard Jews in Italy kept *benches* in the market place, where they exchanged money and bills. When a banker failed, his bench was broken by the populace; and from this circumstance we have our term *bank-rupt*.

But banking, by whatever name it may be called, or however it may be defined, is universally admitted

* See the London Magazine for 1746, page 120.

to be intimately connected with the interest of trade and commerce in every country. Where banking flourishes, there commerce and wealth increase; and where banking declines, these will wither away. In a country like our's, it seems highly necessary that every one should acquire some knowledge of a system in which his own interest is so deeply involved; yet scarcely any topic is so little understood. There is not, I believe, in our language, a work of importance that treats exclusively upon this subject. Most of our public writers consider banking as part of the science of political economy, and are satisfied with tracing the effects of the system upon the commercial interests of society, instead of explaining the machinery of the system itself. It was not to be expected that writers who had no practical knowledge of the subject could do more. Having had better opportunities of acquiring a perfect acquaintance with all the details of this complicated machinery, I imagined I should be employing my leisure time profitably to myself, and usefully to others, by unfolding in all their simplicity and utility those principles on which the system is founded; and might thus dissipate that profound ignorance, and that mysterious awe with which the subject is usually approached.

The following pages were originally designed to form part of a work I have commenced upon the History and Principles of Banking. But considerable time will necessarily elapse before that work will be completed, and I have thought that a treatise containing a view of some of the practical operations of the system, would neither be unseasonable nor unacceptable to the public. In this pamphlet I have been studiously practical. It is designed to guide the conduct of practical men. I have avoided the discussion of all theories upon the nature and use of money; not because I am averse to such discussions, not because I think they are unprofitable, but because I had determined to make it my chief aim to communicate information. While, however, I

have been anxious to impart useful knowledge, I have been unwilling to gratify an idle curiosity. It has been my object to explain the system of banking, not to disclose the private transactions of the bankers. Hence I have carefully avoided the introduction of matters, which are of importance only to the bankers themselves, and have been anxious to select those topics which are most interesting to the public at large. The information I have supplied has been derived principally from personal knowledge, and from printed documents. The system of book-keeping as practised by bankers, has never before, I believe, been described in print ; and will probably be found interesting to those who are engaged in the banking business. For an acquaintance with the banks of Scotland and Ireland, I am greatly indebted to the evidence delivered last year before the parliamentary committees ; and I have paid particular attention to the testimony of the witnesses, as to the effects of withdrawing the small note circulation of those countries.

Section 2.—Of the Utility of Banks.

In the first place, banks are useful as places of security for the deposit of money. The circumstance which gave rise to the business of banking in this country, was a desire on the part of the merchants of London to obtain a place where they might lodge their money in security. Every one who has had the care of large sums of money, knows the anxiety which attends their custody. A person in this case must either take care of his money himself, or trust to the care of his servants. If he take care of it himself, he will often be put to

inconvenience, and will have to deprive himself of holidays and comforts, to which a man who is possessed of much money would not like to submit.

If he entrust it to others, he must depend upon their honesty and their ability. And although in many important cases a master is compelled to do this, yet he does not feel the same satisfaction as if the money was actually under his own care. Some instances of neglect or of dishonesty will necessarily occur, and these will occasion suspicion in reference to other parties against whom no suspicion ought to be entertained.

Besides, in both these cases the money is lodged under the owner's own roof, and is subject to thieves, to fire, and to other contingencies, against which it is not always easy to guard.

All these evils are obviated by means of banking. The owner of money need neither take the charge of it himself, nor trust to his dependants. He can place it in the hands of his bankers. They are wealthy men, and they are responsible to him for the amount. If they are robbed it is no loss to him. They are pledged to restore to him the amount of his deposit when he shall require it. Whenever he wants money he has only to write an order or draft upon his banker, and the person to whom he is indebted takes the draft to the bank, and without any hesitation or delay receives the money.

2. The bankers allow interest, or another equivalent for money placed in their hands.

By means of banking the various small sums which would remain unproductive in the hands of individuals, are collected into large amounts in the hands of the bankers, who employ it in granting facilities to trade and commerce. Thus banking increases the productive capital of the nation. At the origin of banking, "the new-fashioned bankers," as they were called, allowed a certain rate of interest for money placed in their hands. The banks of Scotland carry this practice to the greatest extent, as they receive deposits upon interest of so

low an amount as ten pounds; and also allow interest on the balance of a running account. The country bankers in England allow interest at $2\frac{1}{2}$ or 3 per cent. on a running account, and charge commission on the amount of the money withdrawn. The London bankers do not allow interest on deposits, but neither do they charge commission. All their profits are derived from the use of their customers' money. The banks of Scotland do not charge commission, although they allow interest on deposits, but then those banks have a profit by the issue of their notes. The London bankers do not issue notes.

3. Another advantage conferred upon society by bankers is, that they make advances to persons who want to borrow money. These advances are made—by discounting bills—upon personal security—upon the joint security of the borrower, and two or three of his friends—and sometimes upon mortgage. Persons engaged in trade and commerce are thus able to augment their capital, and consequently their wealth. The increase of money in circulation, stimulates production. When bankers are compelled to withhold their accustomed accommodation, both the commercial and the agricultural interests are plunged in extreme distress. The great advantage arising to a neighbourhood from the establishment of a bank, is derived mainly from the additional supplies of money advanced in the form of loans, or discounts to the inhabitants of the place. This principle is so well understood in Scotland, that branch banks are sometimes established in poor districts with a view of obtaining a future profit from the prosperity which the bank will introduce.”*

4. Another benefit derived from bankers is, that they transmit money from one part of the country to another.

There is scarcely a person in business who has not occasion sometimes to send money to a dis-

* Evidence before the Select Committee of the House of Commons, p. 43.

tant town. But how is this to be done? He cannot send a messenger with it on purpose—that would be too expensive. He cannot send it by post—that would be too hazardous. Besides, the sum may be some fraction of a pound, and then it cannot go by post. The post too takes considerable time, as three letters at least must pass on the transaction. If he live in London he may obtain a bank post bill, but he cannot obtain that in the country; and he may not be able to obtain it in London for the exact sum he wants. How then is the money to be sent?

A country banker opens an account with a London banker. Every other country banker does the same. Now, then, if a man lives at Penzance, and wants to send a sum of money to Aberdeen, how will he manage it? He will pay the money into the Penzance bank, and his friend will receive it of the Aberdeen bank. The whole transaction is this: the Penzance bank will direct their agent in London to pay the money to the London agent of the Aberdeen bank, who will be duly advised of the payment. A small commission charged by the Penzance bank, and the postages, constitute all the expenses incurred, and there is not the least risk of loss.

Commercial travellers from London houses, who go collecting money, derive great advantage from the banks. Instead of carrying with them throughout the whole of their journey all the money they have received, when perhaps it may be wanted at home, they pay it into a country bank, by whom it is thus remitted with the greatest security, and with little expence: and they are thus delivered from an incumbrance which would have occasioned great care and anxiety.

5. By means of banking there is a great saving of time in making money transactions.

How much longer time does it take to count out a sum of money in pounds, shillings, and pence, than it does to write a draft. And how much less trouble is it to receive a draft in payment of a debt, and then pay it

into the banker's than it is to receive a sum of money in currency. What inconveniences would arise from the necessity of weighing sovereigns. What a loss of time from disputes as to the goodness or badness of particular pieces of money.

Besides the loss of time that must necessarily occur on every transaction, we must also reckon the loss which every merchant or tradesman, in an extensive line of business, would certainly sustain in the course of a year from receiving counterfeit or deficient coin, or forged notes. From all this risk he is exempt by keeping a banker. If he receive payment of a debt, it is in the form of a draft upon his customer's banker. He pays it into his own banker's, and no coin or bank notes pass through his hands. If he draws bills, those bills are presented by his banker; and if his banker take bad money it is his own loss.

6. A merchant or tradesman who keeps a banker, saves the trouble and expense of presenting those bills or drafts which he may draw upon his customers, or which he may receive in exchange for his goods. He pays these into the hands of his banker, and has no further trouble. He has now no care about the custody of his bills—no anxiety about their being stolen—no danger of forgetting them until they are over-due, and thus exonerating the endorsers—no trouble of sending to a distance in order to present them. He has nothing more to do than to see the amount entered to his credit in his banker's books. If a bill be not paid it is brought back to him on the day after it falls due, properly noted. The banker's clerk and the notary's clerk are witnesses ready to come forward to prove that the bill has been duly presented, and the notary's ticket attached to the bill assigns the reason why it is not paid. But if any endorser of the bill has given a reference in case of need, that is, if any endorser has written on the back of the bill that some other party will pay it in case the acceptor does not, then the notary takes the bill to the referee, and procures the money from him.

This circumstance alone must cause an immense saving of expence to a mercantile house in the course of a year. Let us suppose that a merchant has only two bills due each day. These bills may be payable in distant parts of the town, so that it may take a clerk half a day to present them. And in large mercantile establishments it would take up the whole time of one or two clerks to present the due bills and the drafts. The salary of these clerks is therefore saved by keeping an account at a banker's. Besides the saving of expence, it is also reasonable to suppose that losses upon bills would sometimes occur from mistakes, or oversights—from mis-calculation as to the time a bill would become due—from errors in marking it up—from forgetfulness to present it—or from presenting it at the wrong house. In these cases the endorsers and the drawers are exonerated; and if the acceptor does not pay the bill the amount is lost. In a banking-house such mistakes are not so likely to occur, though they do occur sometimes; but the loss falls upon the banker, and not upon his customer.

7. Another advantage from keeping a banker in London is, that by this means you have a continual referee as to your respectability. If a mercantile house in the country write to their agent, to ascertain the respectability of a firm in London, the first enquiry is, who is their banker? And when this is ascertained, the banker is applied to through the proper channel, and he gives his testimony as to the respectability of his customer. When a trader gives his bill, it circulates through the hands of many individuals to whom he is personally unknown; but if the bill is made payable at a banking-house, it bears on its face a reference to a party to whom the acceptor is known, and who must have some knowledge of his character as a tradesman. This may be an immense advantage to a man in business, as a means of increasing his credit; and credit, Dr. Franklin says, is money.

8. The keeping an account at a banking-house, enables a trader not only to give a constant reference as to his

own respectability, but it also enables him to ascertain the respectability of other persons who keep bankers. There are numerous cases in which a trader may wish to know this. A stranger may bring him a bill, and want goods in exchange: or he may have drawn a bill upon a customer, and wishes to ascertain if this bill would be paid before he gave him any further credit. If this bill is not made payable at a banking-house, he can obtain no information. But we will suppose this bill to be made payable at a banking-house; even then he can obtain no information, unless he himself has a banker. If he take the bill to the banker's, at whose house it is made payable, and say, ‘Gentlemen, I will thank you to inform me if the acceptor of this bill be a respectable man—may I safely give goods or money in exchange for it?’ They will reply, ‘Sir, we never answer any such questions to private individuals.’ But if the holder of this bill keeps an account at a banker's, he has only to ask his banker to make the enquiry for him, and he will easily obtain the most ample information. Among nearly all the bankers in London, the practice is established of giving information to each other as to the respectability of their customers. For as the bankers themselves are the greatest discounters of bills, it is their interest to follow this practice; and indeed the interest of their customers also, of those at least who are respectable.

Even those persons who are not in trade find the advantage of keeping an account at a banker's. Such a person always has with him every advantage to be derived from having a pocket full of money, and none of the toil or inconvenience of carrying it. He takes his cheque book in his pocket, and if he should want money he draws a cheque upon his banker.

Section 3.—Of the London Bankers.

I can adopt no better means of communicating a correct knowledge of the business of a banking-house, than by explaining the banking system of book-keeping. But I will first define a few terms which are often used in connexion with this subject. By the word *bill*, is always meant a bill of exchange not yet due. The word *cash*, denotes the various items included in a credit or cash entry, and may denote *due bills*, cheques, bank notes, country notes, or coin. The terms *cheque** and *draft* are used synonymously, and denote an order on a banker, payable on demand. The word *draft* is never used in London to denote a bill of exchange, though this use of the term is very common in the country. Both bills and drafts are often called *articles*, and if they are cash, they are stiled *cash articles*. An *addressed bill* is a bill made payable at a banking-house. By *money* is always meant coin. To *post* an article, is to *place* or *enter* it in the ledger. One book is said to *mark against* another, when the same entry is made in both books. One book is *checked by* another, when any error in one book would be detected by some operation in another. To *check* a book, or an account, is to examine it, and prove it correct, or make it so. To *cast*, or *cast up*, means to add together. The *balance* of an account is the difference between the credit and the debit side. An account is said to *balance* when the credit and the debit side are of the same amount. To

* This word is variously spelt. Most writers spell it *check*. I have adopted the above form because it is free from ambiguity, and is analogous to ex-*chequer*, the royal treasury. It is also used by the Bank of England “CHEQUE OFFICE.” The word *draft* is also spelt variously. Mr. Justice BAYLEY in his “Summary of the Law of Bills of Exchange,” spells it *draught*, and he is supported by the authority of nearly all our dictionaries and encyclopedias.

balance an account is to enter the balance, and to add up both sides, and then to bring down the balance as a new amount. The *credit* side of an account, or that on which the cash received is placed to the credit of a customer, is the right-hand side as you face the ledger; the *debit* side is the left-hand side. In London, the establishments of bankers are usually called *banking-houses*, not banks. The term *bank* is applied exclusively to the Bank of England.

I will now explain the system of book-keeping employed by the bankers.

The Town Department.

The principal books in this department are the following :—

1. Two Waste-books: one is called the “Received,” and the other the “Paid-waste-book.” In the former is entered an account of all the “cash” received, and in the latter is entered an account of all the cheques and bills paid by the house, and a description of the notes or money with which they have been paid.

2. The Cash-books. These are three;—the Received-cash-book, the Paid-cash-book, and the Bill-cash-book. Into the Received-cash-book are copied from the Received-waste-book, the amounts of all the credits, and the respective names. The difference between the two entries is this: in the Waste-book the various *items* of each credit are enumerated; but in the Cash-book you state only the totals, and these are placed under each other, so as to admit of being added together. In the Paid-cash-book is entered an account of all the payments that have been made in the Paid-waste-book, but in this case the entries are made from the vouchers themselves. In the Bill-cash-book are entered, each day, all the bills due on that day, payable in London. A bill payable in the country is remitted through some London banking-house to the place where it is payable, and it is entered

in the Bill-cash-book when the amount is received. The *amount* of the Bill-cash-book is carried into the Received-cash-book, previously to the daily trial of the balance. From this statement it will appear that the banker's Waste-book resembles the waste or Day-book of a merchant, and the Cash-books are analogous to the Journal.

3. A set of Ledgers. These may be three, four, five, or more, according to the extent of the business. The names of the customers are placed in alphabetical order, from the first ledger to the last. The credit side of each account is posted from the Received-cash-book, and the Bill-cash-book, and the Ledger-folio is placed in those books, in a column ruled for that purpose. The paid side of the Ledger is posted from the vouchers, and will "mark" against the Paid-cash-book.

4. The Stock-book. In this book is entered every night an account of all the "cash" in the house, consisting of bank notes, cheques, unpaid bills, and coin.

It is well known that bankers try their balance at the close of their business every night, with a view of correcting any errors that may have occurred during the day. The process is very easy. If to the amount of the Stock-book last night we add the amount of the cash received to-day, and deduct the amount of cash we have paid, the remainder will be the amount of the Stock-book to-night. If on trial we find this is not the case, there must be some error. Suppose, for instance, the Stock-book last night amounted to £100,000, and we have received £40,000, and paid £50,000 to-day, then will the Stock-book to-night amount to £90,000. The balance sheet will stand thus—

Stock-book last night - - -	£100,000	Paid-cash-book - - - -	£50,000
Received-cash-book - - -	40,000	Stock-book to-night - - -	90,000
	<hr/>		<hr/>
	£140,000	Balance	£140,000

The other books of importance are—

1. The Lists.—Each banking-house divides London into a certain number of districts, according to the

number of out-door clerks. Each district is called a walk, and takes its name from the direction in which it lies, as the east walk, the west walk, and so on. To each walk is assigned a book, in which is entered every day a *list* of the bills due in that walk, and hence the book is called a List. After the clerk has returned from his walk, he "answers" each bill; that is, places against it an account of the cash he has received for it, whether cheques, bank notes, or money. If the bill be not paid, he writes L. D. for "Left Direction," and then enters the bill in the Take-up-book.

2. The Take-up-book. This book lays on the counter, and *takes up* the bills unpaid in the Lists. When paid, or returned, the bills are "answered" or discharged in this book in the same way as the paid bills were in the Lists.

3. The Money-book. On the opposite sides of this book is entered an account of all the *coin* paid or received in the course of the day. The money is counted up at night, and must agree with the balance of this book. The balance is then entered in the Stock-book previous to the daily trial. Every entry in the Money-book must mark against either the Received-waste-book, the Paid-waste-book, the Lists, or the Take-up-book.

4. The Bill-book.
5. The Bill-journal. { In these books are entered all
the bills paid into the house by
the various customers.

In the Bill-book each individual has a separate account to which the bill is placed, and the entry includes the names of the acceptor, drawer, person to whom payable, date, time, day when due, and the amount. The folio of the Bill-book is afterwards placed upon the bill. In the Bill-journal, the bill is entered under the day on which it falls due. The entry includes only the Bill-book-folio, the name of the acceptor, and the amount. The Bill-journal is marked every day against the Bill-cash-book. In some houses the Bill-journal is called the Calendar.

6 Advice-journal. This book is similar to the Bill-journal. Here are entered an account of all the bills *advised* to be *paid*. But this book belongs more properly to the country department, as the acceptances of town customers are paid without advice.

The Clearing Department.

Most of those London bankers who live in the city, transact their business with each other at the clearing-house. At this house which is situated in Lombard-street, adjoining the banking-house of Messrs. Smith, Payne and Smith, whose property it is, and of whom it is rented by the bankers, a clerk attends from each banking-house twice a day. First he goes at twelve o'clock with those bills which he has upon other bankers. He drops the bills payable at each house in a separate drawer provided for the purpose, and he enters in his book under separate accounts, those bills that may be dropped into his drawer. At half-past twelve he returns home. He goes again at three o'clock with a fresh quantity of bills and cheques, which he delivers in the several drawers as before. He then enters in his book those cheques that may be delivered in his drawer. From three to four he receives further supplies of cheques brought to him from home by other clerks. These cheques he enters in his book, and they are then delivered in the proper drawers. As soon as the clock strikes four no further cheques are taken. He then casts up each account and strikes the balance. These balances are then transferred to the balance sheet. The balance sheet is a half-sheet of paper with a list of clearing bankers, printed alphabetically in a row down the middle. On the left-hand side is a space for the debtors. On the right-hand side is a space for the creditors. The clerk begins with the house at the top of the list. If this

house owes him money he places the balance on the left side of the name. If he owes money to this house he places the amount on the right side. Thus he goes through the whole list. He then goes to the clerk of each house and calls the balance to him, and if they both agree they mark it with a pen. If they differ, they examine where the error lies, and make the accounts agree. He then casts up each side of his balance sheet. If the total amount of debits exceeds the total amount of credits he will have to receive the amount of the difference. If the credits exceed the debits he will have to pay the difference.

If a banker does not choose to pay a bill or draft brought home from the clearing house, it is sent back and dropped in the drawer of the house by whose clerk it was presented. If this draft was delivered in the first instance in the morning clearing (that at twelve o'clock) it is usually returned before four o'clock; but in all cases it must be returned before five o'clock, or else it will not be taken back, and the banker is considered to have paid it.

All this is usually done by five o'clock, when the clerks go home for a short time for two purposes; one purpose is to fetch the money they have to pay, and the other is to see if their balance on the sheet agrees with the balance of the books at home. At about quarter or half-past five they return, and any clerk who has money to pay, pays it to any clerk who has money to receive. It is common however for three or four clerks to form a sort of club, and pay principally among themselves. Hence when one member of the club has money to pay, he will pay it to some member of the same club who has money to receive, in preference to paying it to any one else; by this means his friend obtains his money earlier than he otherwise might, and gets off sooner. It is obvious that all the money that is to be paid must be equal to all the money that is to be received. If this should not appear to be the case there must be some error, and the clearing-house is then said to be wrong. Two inspectors

are appointed with salaries to detect errors of this kind by examining and marking off the sheets. Their signature is also necessary before any money can be paid from one clerk to another.

No gold, silver, or copper, is taking to the clearing-house; the differences under £5 that may be left between the clerks who receive and pay with each other, are carried to account on the following day.

Country notes are not paid at the clearing-house, but are taken round to the banking-houses, and exchanged for tickets or memorandums, which are passed through the afternoon clearing. The following is the form of these memorandums:—

	London, 1st. May, 1827.
Due to Messrs. <i>Steady and Co.</i>	<i>One thousand pounds</i>
for country notes.	For Messrs. <i>Hope, Rich, and Co.</i>
£1000.	<i>A Clerk.</i>

Drafts that are paid into the banking-house after four o'clock, are taken to the houses upon whom they are drawn "to be marked;" that is, it is asked if these drafts will be paid in the clearing of the next day? If so, one of the clerks *marks* the cheque by placing his initials upon it. If the cheque is refused to be marked it is returned as dishonored on the following day, to the person who has paid it in. Had it not been sent to be marked, the draft would not have been refused payment until the next day, and it could not be returned to the customer till the day afterwards.

All the articles in the clearing are entered in a book called the clearing-book. On the left hand are entered the bills and drafts upon other bankers. These are called the "clearing-out." On the right hand are entered the drafts which are drawn upon the house, and which have *come in* from the clearing. These are called the "clearing-in." If the "clearing-out" is a

greater sum than the “ clearing-in,” the clerks say, “ the clearing brings in;” that is, the clearing clerk will bring in money from the clearing-house. In the other case they say, “ the clearing takes out;” that is, he will take out money to pay away at the clearing-house. The balance of this book should agree with the clearer's balance sheet, excepting the differences of the preceding night which he may have settled. When this is the case, the clearer says, “ I am right;” if not he is wrong, and he must discover the error. The clearer may be wrong through errors made either in his own book at the clearing-house, or in the clearing book at home. The error at home may be either in the “ clearing-in” or in the “ clearing-out.” If the error be in the clearing-out, it will make the house wrong; if in the clearing-in it will not. Suppose, for instance, the clearing out is wrong cast £1,000 too much, the house will be £1,000 over, and the clearer will be £1,000 short. But if the clearing-in be £1,000 too much, it will not affect the balance of the house, because the stock-book will consequently be £1,000 less, and these two amounts, those of the stock-book and the paid-cash-book, (into which the amount of the clearing-in-book is entered) are placed on the same side of the trial paper. But this error will make the clearer wrong. The way in which the clearer discovers his errors is by marking off his book against the clearing-book, and by recasting both the books. An error may have occurred at the clearing-house. If the clearer has placed a wrong balance on his sheet, or has wrong-cast his balance sheet, the clearing-house will be wrong, and the inspectors will make it their business to discover the error. But if the clearer has entered an article wrong in his book, and the clerk of the house upon whom the draft is drawn has entered it wrong also, then the clearing-house will be right, and both these clearers will be wrong, one being as much over as the other is short.

All the articles in the clearing-out must mark against either, the bill-cash-book, the received-waste-book, the

lists or the take-up-book. To secure greater accuracy, the clearing-in is entered not only in the regular clearing-book, but also in another book by itself, which for distinction is called the clearing-in-book. The amount of the clearing-in, is entered in the paid-cash-book previous to the daily balance. On the following morning the clearing-in-book is marked against the debit side of the ledger, and the ledger-folio placed against each entry.

The following is a copy of a clearing balance-sheet, and a list of the bankers who clear. The name of the house to whom each sheet belongs is placed at the top, and is then of course omitted in the alphabetical list.

DEBTORS.				CREDITORS.		
£	s.	d.		£	s.	d.
			Barclay			
			Barnard			
			Bond			
			Bosanquet			
			Curries			
			Curtis			
			Dorrien			
			Esdale			
			Fry			
			Fuller			
			Glyn			
			Grote			
			Hanbury			
			Hankey			
			Hoare			
			Jones			
			Kay			
			Ladbroke			
			Lees			
			Lubbock			
			Martin			
			Masterman			
			Remington			
			Rogers			
			Sansom			
			Smith			
			Spooner			
			Vere			
			Weston			
			Whitmore			
			Williams			
			Willis			

The Country Department.

In this department is managed the business connected with the country banks, and of those customers who live in the country. For this purpose there is a separate set of ledgers, called the country-ledgers, and the business generally is somewhat different from that of the town department. When the letters are delivered in the morning by the postman, one clerk takes them and enters the *cash* enclosed in the letter in the waste-book to the credit of the respective parties. Another clerk takes the letters and enters the *bills* in the country-bill-book and the bill-journal. The letters are then handed to a third clerk, who copies off into a book all the *payments*, which are to be made immediately in cash. This book is usually called the Draft-book, as the party receiving the money signs a draft for the amount which is as good as signing a receipt. If the payment is to be made to a banker, he receives notice in a printed form, called a memorandum, but if the payment is ordered to be made to a private individual, he must call for it and claim the exact amount. The following is the form sent to a banking-house. The right hand side is filled up by the house to whom it is sent, and the memorandum is paid through the clearing.

London, May 1, 1827.

Messrs. Steady and Co.

Receive of [the country bk.]

per Mess. Hope, Rich, & Co.

the sum of £100

on account of [E. F. Esq.]



London, May 1, 1826.

Messrs. Hope, Rich, and Co.

Pay E.F. Esq. or bearer, the sum of

one hundred pounds, on account of [the

country bank.]

£100

For Messrs. Steady and Co.

A Clerk.

A fourth clerk now takes the letters, and enters all the *advices* (that is, bills *advised* to be paid when due) in the advice-book and in the advice-journal. The corresponding clerk who answers the letters usually manages the stock department. Hence he observes the orders to purchase or sell stock to procure powers of attorney and other business of that kind. When writing a reply to the letters received, he notices if all the items in the letters are marked by the proper clerks. If any thing is wrong he is informed of it. Bankers' letters are usually

short and plain comprising only two or three lines. The following example includes all the ordinary topics.

Messrs. HOPE, RICH, and Co. *Bankers, London.*

GENTLEMEN,

Country Town, May 1, 1827.

Enclosed we remit you sixteen bills, value £1,750, and cash £250, making together £2,000 to our credit; and we subjoin a list of payments, and advices to be made to our debit. We will thank you to purchase £10,000 new fours, in the name of James Wealthy, gentleman, of Stately House, near Prince Town, and forward us a power of attorney for sale, and dividends of £200 consols. now standing in the name of Susan Thrifty, spinster, of this place. Please inform us of the respectability of Messrs. John Careful and Co. of Southwark—they bank at Messrs Steady and Co. Lombard Street. The bill you sent us to present here for payment has been paid, and we credit you £50, the amount. We herewith send you the signature of our relative, Mr. John Keen, who is going to London, and whose drafts to the extent of £3,000 we wish you to honor to our debit. On Mr. Keen's return, which will be in about a week or ten days, he will bring with him our paid notes.

We are, Gentlemen,

Your obedient Servants,

KEEN, BUSY, and Co.

(REPLY.)

Messrs. KEEN, BUSY, and Co. *Bankers, Country Town.*

GENTLEMEN,

London, May 2, 1827.

We have received your favor of yesterday's date, enclosing sundries, value £2000, which we have passed to your credit, and note your lists of payments and advices. We also credit you £1,476 : 16s. : 6d. per Messrs. Good and Co. on account of John Green. We have enquired of Messrs. Steady and Co. as to the respectability of Messrs. John Careful & Co. and are informed they are highly respectable. We now enclose a stock receipt for Mr. James Wealthy's £1,000 new fours, £10,012 : 10s. to your debit, and also Susan Thrifty's power of attorney, for which we debit you £1 : 1s. : 6d. also a dishonored bill on Badluck, noted £100 : 1s. : 6d. to your debit; and your weekly cash account and monthly account current, which we trust will be found correct. We debit you £50 for the bill you had the goodness to present for us; and we now enclose another on White, £120, which we will thank you to get accepted and return. We have opened a credit in favor of Mr. John Keen, for £3,000, and will forward your paid notes by him as requested.

We are, Gentlemen,

Your obedient Servants,

HOPE, RICH, and Co.

All the entries in the country-ledger, as well as those in the town-ledger, must first pass through the waste

and cash-books. The *credit* side of the ledger is posted from the bill-cash-book and the received-cash-book. The *debit* side is posted from the vouchers themselves, and like the debit side of the town-ledger will mark against the paid-cash-book and the "clearing-in-book."

The General Balance.

The daily balance checks the waste-books, the cash-books, the clearing-book, the lists, the take-up-book, and the money-book. If any error occurs in any of those books throughout the day, the "house will be wrong." But the daily balance does not check the ledger though this is the most important book of all. The ledger is always marked off every morning against the three cash-books and the clearing-in-book. But this is not a sufficient check. Hence in every banking-house there is a quarterly, half-yearly, or annual balancing. This is called the general balance. Every account in the ledgers is balanced, and the balances are taken off in a book and added together. The amount of the received-cash-book every day since the last balance, is also taken off and the sums added together. The same is done with the paid-cash-book. Then if to the amount of the ledger-balances, at the last balance, you add the total amount of the received cash-book since that period, and deduct the total amount of the paid-cash-book, you will have the present amount of the ledger-balances. When this is the case the ledger is correct. The balance sheet will stand thus:—

Ledger-balance last time.		}	Total amount of paid-cash-book.	———
Total amount of received-cash-book.	———			
			Ledger-balance at the present time	———
			Balance	*

Every person on opening an account with a London banking-house, enters his name in a book called the

* Different banking-houses have different modes of book-keeping, and call their books by different names. I have here given a general outline; at a future period I may enter more into detail.

signature-book, and this book is referred to whenever a draft is presented having a doubtful signature. The person is supplied free of cost with a book of printed drafts and a cash-book, in which is entered an account of his debits and credits, as often as he thinks proper to leave it for that purpose.

London bankers do not usually give receipts for money paid into their hands, but they enter the amount into the customer's book. A person paying money on account of a country bank, will sometimes require a receipt, and he is then given what is called a shop-receipt in the following form:—

London, May 1, 1827.

Received of [the country bank] the sum of *one thousand pounds.*
To account for on demand.

For Hope, Rich, and Co.
A Clerk.

£1000

The name of the party paying the money is not inserted in the receipt, as that would require a stamp.

The payment of a draft, or a bill, is always made either in Bank of England notes, or sovereigns, as the party receiving it may desire.

The London bankers differ very much from the Scotch bankers in estimating the goodness or badness of a person's account. Suppose a person kept a £1000 in his banker's hand, and did not draw above two or three cheques in a twelvemonth; this would be called a *dead account*. Let another person keep the same balance, but pay in and draw out money every day. This would be a *running account*, or as the Scotch banker would say *an operating account*. In London the dead account would be deemed by far the better of the two, but in Scotland the operating account would be preferred. Indeed, so much so, that in 1824 the Royal Bank of Scotland allowed only two per cent. interest on dead deposits and two and a half per cent. on operating accounts.* What can be the reason of this difference?

* See the evidence of Mr. John Thomson and of Mr. Robert Paul, before the Select Committee of the House of Commons, p.p. 146, 205.

The reason is that the London bankers do not issue their own notes. All their profits are derived from the amount of balances in their hands ; and the fewer cheques their customers draw, the fewer clerks will they have to keep, and the less will be their expences for paper and books. But the Bank of Scotland derives a profit from the issue of its notes, and the more an account is "operated upon," the greater number of notes does it put into circulation.

There is no law prohibiting the issue of notes by the London bankers, but it would not be a profitable undertaking. In London the property or prudence of a banker are not so well known as in the country. In almost every case Bank of England notes would be preferred. Even in Edinburgh notes are not issued by the private bankers. In Dublin two private banking establishments issue notes, but their circulation has been principally in the provinces, and that circulation is now much curtailed by the establishment of the provincial banks. In Dublin the circulating medium consists mainly of notes of the Bank of Ireland.

Section 4.—Of Country Banks.

There is a striking difference between the business of a London and of a country bank. A London banker takes care of his customer's money, but a country banker has chiefly to advance money to his customers. Nearly all the country agriculturists and manufacturers carry on their business to the full extent of their capital. Hence it is that the establishment of a country bank is found to produce such beneficial effects upon the neighbourhood. By making advances of money it creates new capital, and thus give a stimulus to all the commercial operations of the place.

The following are the usual charges of the country banks, though they differ very much from each other.

A charge of £5 per cent. per annum on the discount of bills. Besides five per cent. interest on bills discounted

they usually charge five or six shillings per cent. commission and one shilling postage, particularly if the amount is not taken in their own notes.

Charges for commissions on all payments. This charge is made to their regular customers on the 30th of June, and the 31st of December. It is usually five or six shillings per cent. on the amount of the debit side.

Charges for transmission of money. Most country bankers charge a quarter per cent. on all monies paid into the bank to be received in London, but no charge is made for monies paid into the London-house to be received in the country, provided the party take the notes of the bank. It is the object of the country bank to receive as much and to pay as little as possible in London. Some banks, however, charge both ways, unless the money received in London is on account of a regular customer. For money transmitted to meet bills made payable at the London-house, the charge is the same as though the money were to be received by another party. Country banks at a distance from London sometimes charge a month's interest on the amount, that is, eight shillings and fourpence per cent. Some commercial travellers instead of paying the country bank commission for transmitting their money to London, prefer taking a bill that has a week or a fortnight to run.

Charges for postage. This is a source of profit to a country banker, for if he have to advise a dozen payments in one letter, he will charge each of these parties the full amount of postage. In discounting bills also there is a charge of 1s. postage. Customers who pay bills into the bank are also charged 1s. postage on each bill, whether the bill be actually sent to London or not. Country bankers like to receive bills of small amount, not only as the charge for postage is increased, but also because they can more easily pay them to those commercial travellers who will take them in exchange for notes. The postage of all letters that pass between a London and a country bank is paid by the latter.

The grand source of profit to a country banker arises from the issue of his own notes. The advances of

money for loans or for bills discounted, are always made in the notes of the bank, and interest charged in the same way as though the amount was advanced in gold.

The country bankers allow $2\frac{1}{2}$ or 3 per cent. on deposits placed in their hands. But except in populous and manufacturing districts it is presumed that a country bank has but little business of this kind.

The country banker has to pay rent, taxes, and petty expences of the office, salaries of clerks, stationer's bill for books, paper, pens, ink, engraving of notes, &c. He pays also £30 per annum for his licence; and he must have a distinct licence for every place at which he carries on business. He has to pay also the stamp duty on his notes which is as follows:—

	£	s.		£	s.	d.	
Notes not exceeding	1	1	.....	.....	0	5	each
Exceeding.....	1	1	and not exceeding	2	2..	0	10
Ditto	2	2	.....	5	5..	1	3
Ditto	5	5	.....	10	0..	1	9
Ditto	10	0	.....	20	0..	2	0
Ditto	20	0	.....	30	0..	3	0
Ditto	30	0	.....	50	0..	5	0
Ditto	50	0	.....	100	0..	8	6

Every country bank keeps an account with a London banker. The country banker receives from London a weekly statement of his cash account, and a monthly account current. The cash account is a copy of the London banker's ledger. But as the London banker does not consider as cash any thing which may not be immediately turned into bank notes, the cash account does not exhibit a statement of the undue bills which the country banker may have remitted, nor of the bills which he may have advised to be paid. By means of a monthly account current, he has a full view of all these operations. On the credit side of the account current is entered the total amount of each remittance, whether it consists of bills or cash. These are followed by entries of "extra" sums of cash that have been received in London. On the debit side is placed the total amount of the advices, that is, of bills advised to be paid, and also any "extra" payments of "drafts" to

persons in London. Then the account is balanced, and we have an easy check by which any error that may have crept into either the cash account or the account current is detected. For if both accounts be correct,

The amount of advices not yet due added to The balance of the account current.	Equals	The amount of all bills not due added to The balance of the cash account.
--	--------	---

In consequence of frequent robberies of bankers parcels sent by coach or waggon, country banks now receive their paid notes from London by private hands. The post-office will send parcels of the notes, and charge after the rate of the postage of a single letter upon every ounce weight of the parcel. They also require a declaration signed by one of the partners in the London-house, that the said parcels contain nothing but paid country notes. The charge is deemed so high, that few country bankers avail themselves of this mode of conveyance except on particular occasions.

Country bankers are the usual agents for procuring the purchase or sale of government securities, on behalf of persons in their neighbourhood.

The stock-brokers charge one-eighth commission on all purchases and sales of stock; one shilling per cent. on exchequer bills; sixpence per pound on long annuities; a quarter commission on all shares in public companies. The charges are made on the amount of stock not on the amount of money invested. In the purchase of shares, the charges are upon the nominal value of the shares. In continuation* accounts the commission is only one-sixteenth per cent. One-eighth commission is a charge of two shillings and sixpence (the one-eighth of a pound) on every £100: a quarter commission is of course five shillings.

* A continuation account is when a party buys stock for money and sells it for time. It is an exquisite mode of evading the laws of usury.

Section 5.—Of Bills of Exchange.

A bill of exchange is a written order from one person to another, directing him to pay a sum of money to a third person at a future time. This time is usually a certain number of days, weeks, or months, either after the date of the bill, or after sight; that is, after the person on whom it is drawn shall have *seen* it, and shall have written on the bill his willingness to pay it. The party expresses this willingness by writing on the bill the word, “*accepted,*” and his name. If the bill be drawn after sight, he also writes the date of the acceptance.

If the party in whose favor the bill is drawn, wishes to transfer it, he writes his name on the back. This is called an *endorsement*; and may be either special or general. A special endorsement is made to a particular party, as “pay to Messrs. John Doe and Co. or order.” A general or blank endorsement is when the person merely writes his name. It is held by the lawyers* that a special endorsement cannot *follow* a general endorsement, and that the holder might sustain an action for the amount, though the bill were not endorsed by the party to whom it was thus specially assigned. In practice, however, this is very common; and bankers always refuse to pay bills not properly endorsed, even though previous endorsements may be general.

The following is the form of a bill of exchange.

£1000.

London, 1st of May, 1827.

Two months after date pay to the order of Messrs. Quick, Active, and Co. (or me or my order) the sum of one thousand pounds, for value received.

*To Messrs. John Careful & Co.
Southwark.*

*Hearty, Jolly and Co.
Accepted, Payable at
Messrs. Steady & Co. Bankers.
John Careful & Co.*

* See Chitty on Bills of Exchange, p. 103.

A promissory note is as follows:—

£1000.

London, 1st of May, 1827.

Two months after date, we promise to pay Messrs. Hearty, Jolly, and Co. or their order, the sum of one thousand pounds, for value received.

John Careful and Co.

*At Messrs. Steady and Co.
Bankers,
Lombard Street.*

The acceptance is usually written across a bill, but it should always be on the front, not on the back of the bill. An endorsement, as the name implies, should be placed on the back. Noblemen and gentlemen unacquainted with commercial affairs, sometimes accept bills on the back, and even endorse them in front. When such bills find their way into a banking-house, they occasion considerable mirth at the expence of those noble and right honorable personages.

All bills are allowed three days grace. Thus a bill drawn at two months from the first of May will fall due on the fourth of July; but if that day be a Sunday or a public holiday,* the bill will be due the day before. Bills from France instead of being drawn after date or sight, sometimes state the time of payment as “on the first of August, pay &c.” These bills are allowed the usual three days grace. This bill would fall due on the fourth of August.

Some parties when they endorse a bill, write at bottom “in case of need, apply to Messrs. C. D. and Co.” That is, if the bill be not paid when due, Messrs. C. D. and Co. will pay it for the honor of the endorsers.

* To remove all doubts upon this subject, an act of parliament has recently passed (7th and 8th Geo. 1V. chap. 5.) which enacts, “that from and after the tenth day of April, one thousand eight hundred and twenty-seven, Good Friday, and Christmas day, and every day of fast or thanksgiving appointed by his Majesty, is and shall for all purposes whatever, as regards bills of exchange and promissory notes, be treated and considered as the Lord’s day, commonly called Sunday.” This act does not extend to Scotland.

The notaries always observe the "cases of need" upon the bills that come to their hands, and apply to the proper parties. The advantage of placing a case of need upon a bill is, that the party endorsing it receives it back sooner in case of non-payment. It also makes the bill more respectable, and secures its circulation.

Were it not for the space it occupies, it would be very desirable that the endorser of a bill of exchange should be compelled to state also his address. This would prevent forged and fictitious endorsements, and give a banker who discounts a bill, a better opportunity of ascertaining the respectability of the parties. In case too the bill was unpaid, he might immediately apply to all the endorsers, whereas now he has to find them out in the best way he can. The endorsers and drawer of a bill would have earlier notice of its non-payment, and have a better opportunity of obtaining their money.

When a merchant in one country draws bills upon a merchant residing in another country, he usually draws them in sets, that is, he draws two, three, or more bills of the same tenor and date. These bills are sent to his correspondent by different ships. Thus he secures the swiftest conveyance, and his remittances will not be delayed by any accident that may happen to an individual ship. In drawing these bills, it is always expressly stated whether each bill be the first, second, or third of a set; as "pay this my *first* of exchange (the second and third not being paid)." On the payment of any one bill, the others are of no value. If a merchant has a set of bills, say at Paris, drawn on a merchant at London, he will sometimes send over the first bill to his correspondent in London, to get it accepted, and to retain it until claimed by the holder of the second. The merchant at Paris will then write on the second bill that the first lies accepted at such a house in London. He will then sell it or pay it away. By this means he is sure that the bill he negotiates will not be returned to him, and greater value is given to

his bill, not only as it has the additional security of the acceptor's name, but if it be drawn after sight, it will become due so much the sooner. When the second bill arrives in London, the holder takes it to the house where the first is deposited, and it is immediately given up to him.

Foreign bills are often drawn at a "usance" after date. A usance from Amsterdam, Rotterdam, Hamburg, Altona, Paris, or any place in France is one month; from Cadiz, Madrid, and Bilboa two months; from Leghorn, Genoa, or Venice, three months. Where it is necessary to divide a month upon a half usance, which is the case when the usance is either one month or three, the half month is always fifteen days. Bills drawn from Russia, are dated according to the old style, and twelve days must be added to the date, in order to ascertain at what time they fall due.

Bankers usually send out all bills for acceptance if they have four days to run. They are left at the house of the drawer, and are called for on the following day. On the day the bills are due, the clerks present them in the morning at the place where they are made payable. If not paid when presented they leave a printed notice or direction, of which the following is a copy:—

Bill for £ Drawn by Mr. On Mr. Lies due at Messrs. Steady and Co. No. <i>Lombard Street.</i>
--

Please call between two and five o'clock.

Drafts intended for payment of bills, must be brought by half-past three o'clock.

If not paid by six o'clock, the bill is sent to the notary's. It is brought to the banking-house the following morning, with the notary's ticket attached to it, stating the reason why it is not paid. The bill is then returned. If it be a foreign bill, that is, drawn from any foreign land, it must be protested. Foreign

bills are also protested for non-acceptance; but inland bills are not, nor even noted, but the party who remitted the bill to the banking-house is advised of the circumstance.

A bill is sometimes accepted *for the honor* of the drawer or of one of the endorsers. Thus if a bill from Hamburg be drawn upon a person in London, who refuses to accept it, and another party knows the drawer or one of the endorsers to be a respectable man, he will (after the bill is protested for non-acceptance) accept the bill himself for the honor of the party with whom he is acquainted. By this means he prevents the bill being returned with expences. This kind of acceptance renders him liable to pay the bill; but he can afterwards recover the amount from the party for whose honor he has accepted it, and of course from all preceding parties through whose hands the bill may have passed before it came into his possession. But to secure himself he must not accept the bill until after it has been protested for non-acceptance, and he must write "accepted for the honor of A. B. and Co." upon the face of the bill.

Country notes and bank post bills are not received in payment of bills of exchange except by courtesy. No drafts are taken except drawn by the acceptor of the bill. If such a draft should not be paid, the party may be prosecuted for a fraud. No person can be compelled to receive in payment of a bill a larger amount of silver than £2.

Bills accepted and made payable at a banking-house in the usual manner, without the addition of the word ONLY, may be presented either at the banking-house, or at the residence of the acceptor. In either case it is a legal presentment.* In practice, however, bills are always presented at the place where they are made payable. If a bill be addressed to a banking-house, or any other place ONLY, the payment cannot be enforced, until it has been presented at that place.

* 1 and 2 George IV. cap. 78.

The notary's charge for noting a bill within the scite of the ancient walls of the city of London, is one shilling and sixpence. Beyond those limits the charges are 2*s.* 6*d.* 3*s.* 6*d.* 5*s.* and 6*s.* 6*d.* according to the distance. If the notary has several bills at the same house, he makes the full charge upon each bill. The charge for protest of a bill under £20. is 7*s.* 6*d.*—from £20. to £100. it is 8*s.* 6*d.*—£100. to £500. it is 10*s.* 6*d.*—£500. and upwards it is 17*s.* 6*d.* Mr. Justice Bayley states positively, that if a bill be paid when presented by the notary, the acceptor is not bound to pay the expence of noting.* But this is contrary to the usual practice. In such cases the notaries always refuse to take the money for the bill, unless they are paid the noting-fees at the same time. When "a case of need" is placed upon a bill, the notary makes no extra charge for applying to the referee. By an act of parliament passed in 1801,† any person acting as notary without having served an apprenticeship of seven years, is liable to a penalty of £50. Every notary must take out a licence: upon which, in England, there is a stamp duty of £30, and in Scotland of £20.‡

The following is the table of stamp duties upon bills of exchange.

	£	s.		£	s.	£	s.	£	d.	£	s.	£	d.
Amounting to....	2	0	and not exceeding	5	5..0	1	0..0	1	6				
Exceeding.....	5	5.....	20	0..0	1	6..0	2	0					
.....	20	0.....	30	0..0	2	0..0	2	6					
.....	30	0.....	50	0..0	2	6..0	3	6					
.....	50	0.....	100	0..0	3	6..0	4	6					
.....	100	0.....	200	0..0	4	6..0	5	0					
.....	200	0.....	300	0..0	5	0..0	6	0					
.....	300	0.....	500	0..0	6	0..0	8	6					
.....	500	0.....	1000	0..0	8	6..0	12	6					
.....	1000	0.....	2000	0..0	12	6..0	15	0					
.....	1000	0.....	3000	0..0	15	0..1	5	0					
.....	3000	0.....	—	0..1	5	0..1	10	0					

* Bayley on bills of exchange, p. 200.

† 41 Geo. III. cap. 79.

‡ 55 Geo. III. cap. 184.

Foreign bills drawn in sets.

	£	s. d.
Not exceeding.....	100.....	1 6 each bill
Exceeding £100 not exceeding 200.....	3 0	
.....200.....500.....	4 0	
.....500.....1000.....	5 0	
.....1000.....2000.....	7 6	
.....2000.....3000.....	10 0	
.....3000.....—.....	15 0	

Bills under the value of forty shillings, are not subject to the stamp duty. Nor are drafts upon bankers, provided the drafts are drawn within ten miles of the banking-house, and they specify such place, and bear date on or before the day on which they are issued. A person drawing a cheque beyond this distance is subject to a penalty of £100.; the person knowingly receiving it to a penalty of £20.; and the banker paying it, is liable to a penalty of £100. The post-dating of cheques to make them serve the purpose of bills of exchange is subject to the same penalties.*

The following is the form of a draft or cheque.

No. 457.

May 1, 1827.

Messrs. Hope, Rich, and Co. Lombard Street.

Pay John Doe, Esq. or bearer, the sum of one hundred pounds.
£100.

Peter Thrifty and Co.

The words "or bearer" are essentially necessary, or the draft must be drawn on a stamp, and endorsed by the party who receives it.

Bills of exchange form a vast proportion of the circulating medium of Lancashire, and supply the place of country notes. Mr. Loyd, of the firm of Messrs. Jones, Loyd, and Co. estimates that the circulation of Manchester consists of nine parts bills of exchange, and the tenth part gold and bank of England notes. Others think the proportion is as high as twenty to one, or even fifty to one.† Mr. Loyd stated he had seen bills of £10. with 120 endorsements upon them; and

* 55 Geo. III. c. 184. 812. 813.

† See evidence of Lewis Loyd, Esq. and of Mr. Henry Burgess, before the Committee of the House of Lords. pp. 294. 298.

when the stamp duties were lower, bills were drawn of a less amount. He gives the following *criteria* of accommodation bills. "Bills that are issued for speculation generally travel to London very rapidly, with very few endorsements upon them; they are wanted to be converted into bank notes immediately, and come quite clean, and without any marks of negociation upon them; and besides that we know the parties upon them pretty well." In Scotland an accommodation bill is called a wind bill.

The Bank of England with a view of preventing fraud, will discount only those bills which are made payable at a London banking-house.

No person can be arrested upon a bill of a less amount than £10. The payment of a bill originating in a usurious or a gambling transaction, cannot be enforced, even though the holder may have given actual value for it.

Section 6.—Of the Method of making Calculations.

When a bill is discounted, the party is credited for the full amount, and debited for the interest. The interest is calculated from the day on which the bill is discounted to the time it falls due. The shortest way is to make use of an interest book, but if it be done with the pen, the following rule may be useful. Multiply the amount of the bill by the number of days. To the product add one-third of itself, one-tenth of that third, and one-tenth of that tenth. From the total strike off four figures to the right for decimals. This will give the interest at 5 per cent. in pounds and decimal parts of a pound. The decimals are to be brought into shillings and pence, by multiplying by twenty and twelve. The interest of any sum at a different rate per cent. may be found in the same way, if you multiply the principal by twice the rate of interest, and strike off five figures of decimals instead of four.—Example: It is required to find the interest of £500. for ninety days at 5 and at $3\frac{1}{2}$ per cent.

	£ 500 principal 90 number of days	£ 500 principal 7 twice the rate of interest 90 number of days
1-3rd	45000	3500
1-10th	15000	
1-10th	1500	10500
	150	
	6,1650	10500
	20	1050
	3,3300	4,31550
	12	20
	3,9600	6,31000
Answer.	$\frac{1}{2} \text{ £6 } 3\text{s. } 3d.$ at 5 per cent.	12
	$\frac{1}{2} \text{ £4 } 6\text{s. } 3d.$ at $3\frac{1}{2}$ per cent.	
		3,72000

It must be observed, however, that this method of calculation is not exactly correct, it produces nearly a farthing too much on every £10. of interest: in calculating large sums, therefore, the amount of these farthings must be deducted.

In taking the interest for any number of months, it will be useful to remember that the interest of one pound for one month at 5 per cent, is one penny. Thus the interest of £100. for two months is twice a hundred pence, or sixteen shillings and eight-pence. The interest upon shillings and pence is never taken into the account. If the fraction is more than ten shillings, it is regarded as £1.; and if it be less it is not noticed.

There is often a difference in the amount of interest according to the method of calculation, either by months or by days. A month from the 10th of February to the 10th of March, is only 28 days; but from the 10th of March to the 10th of April, a month is 31 days. The half year from the 1st of January to the 30th of June, is 181 days; but from the 1st of July to the 31st of December, the half-year is 184 days. The interest of £10,000. for 6 months is £250; for 181 days it is only £247 18s. 11d.; for 184 days it is £252 1s. 1d.

In calculating commissions for 1 per cent. divide by 100—for $\frac{1}{2}$ per cent. by 200—for $\frac{1}{4}$ per cent. by 400—for an eighth per cent. by 800.

In calculating the dividends on stock, if it be in the 4 per cent. the half-yearly dividend will be one-fiftieth part of the principal. Hence multiply by 2 and divide by 100.

If the stock be 3 per cents. the half-yearly dividend will be $\frac{3}{20}$ th of the principal. Hence add to the principal one half of itself, and divide by 100.

If the stock be $3\frac{1}{2}$ per cent. add to the principal one half and one quarter of itself, divide by 100, and you have the half-yearly dividend.

Examples.—What is the half-yearly dividend on £13,476 10s. 8d. 3 per cents $3\frac{1}{2}$ per cents. and 4 per cents.?

								(ANSWER.)			
£	s.	d.		£	s.	d.		£	s.	d.	
13476	10	8		13476	10	8		13476	10	8	
6738	5	4		6738	5	4		2			
				3369	2	8					
202,14	16	0		235,83	18	8		269,53	1	4	
20				20				20			
2,96								10,61			
12				16,78				12			
—				12				—			
11,52								7,36			
				9,44							

In making calculations respecting the purchase or sale of stock, multiply the amount of stock by the price, and divide by 100. Stock-brokers have seldom any occasion to make these calculations, as there are books published expressly for their use.

Bankers differ in their mode of calculating the interest upon running overdrawn accounts. Some houses have an interest ledger, in which they state the interest upon every individual item in the account. Thus for instance: the general balance takes place the 30th of June, and the 31st of December. If a sum of money is paid in on the 1st of May, the interest is calculated on that amount from the 1st of May to the 30th of June, and is then carried to the *credit* of this interest account. On the other hand if a cheque be drawn on the 1st of May, the interest is calculated and carried to the *debit* of the interest account. On the 30th of

June the interest account is balanced, and the balance is carried to the debit or credit of the party's running account. Other bankers take off the balance of the running account every day from the 1st of January to the 30th of June; add all these amounts together, and then take the interest of the total for one day. To take the interest of any sum for one day, is a very easy operation. The interest of any sum for one year at 5 per cent. is one-twentieth part of the principal, and the interest for one day is the 365th part of the interest for a year. Now 365 multiplied by 20 gives 7,300. You have then only to divide any sum by 7,300, and you have the interest of that sum for one day at 5 per cent. per annum. The interest of any sum for one day at any other rate than 5 per cent. may be found by multiplying the principal by twice the rate of interest, and dividing the product by 73,000.

Section 7.—Of the Suppression of the Small Notes.

In the last session of parliament an act was passed for the suppression of small notes. This act is entitled, “An act to limit, and after a certain period to prohibit the issuing of promissory notes under a limited sum in England.”* This law enacts that the commissioners shall not stamp any more notes under the value of £5. and that after the 5th of April, 1829, no such notes shall be issued under the penalty of £20. It is a question of much importance whether this act is beneficial or injurious to the public, that is to say, whether it is beneficial or injurious to the individuals of whom the public is composed. For it is by its practical effects upon the interest and convenience of individuals that we must judge of its public utility.—I shall consider it in this point of view.

* Anno Septimo Georgii, IV. Regis. cap. VI.

What will be its effect upon individuals generally ? People must take sovereigns instead of small notes. But these sovereigns may be a little short of weight. When the Bank of England resumed cash payments, the bankers' clerks were obliged to carry a pair of scales in their pockets to weigh the guineas, half-guineas, and seven shillings pieces, that were offered in payment of bills of exchange. And full well they recollect with what sensations they saw an individual take out a hoard of guineas to pay a bill, what time it cost, what altercation took place, how the money was shifted from one scale to another, and how often it would have puzzled a philosopher to decide the simple question whether a guinea was or was not the full weight. The guineas were called in, and the scales were of no farther use, as the sovereigns being all new, required no weighing. But sovereigns will wear away, and become light as well as guineas, what then is to be done ? The scales must be produced again. A pair of scales or balances will become a necessary piece of furniture in the shop of every tradesman. Now all this weighing takes up time, and is a great interruption to business. A thousand £1. notes might be counted in less time than a hundred sovereigns could be weighed. But trouble is not all — there is the risk. Persons who live in towns may run to a shop and weigh a sovereign they are going to receive ; but what is to be done by those who live in the country ? The gold will wear away, and the loss must be borne by somebody. A party might write upon a £1. note the name of the person of whom he received it ; and if it were bad, he could recover the value ; but he cannot write upon a sovereign ; if it be bad or light, he must bear the loss.

A thousand sovereigns are a thousand times as heavy as one sovereign, but a thousand pound note is no heavier than a £1. note. Persons who have to travel a long way to market, and who carry with them the money they intend to lay out, would find it more convenient to carry paper than gold. Collectors of

money and bankers' clerks would rather receive bank notes than sovereigns, because they are a less weight to carry.

Again, sovereigns cannot be sent by post. If I owed a person in the country three or four pounds, I could enclose the amount in a letter, but I cannot enclose the gold. And here I must observe that the Bank of England does not grant bank post bills under £10. Now many bankers and stock-brokers receive dividends which they remit immediately to their principals. But suppose the dividend amounts to any sum under £10. how is it to be remitted? If indeed the person lives at a place where there is a country bank, it may be remitted through that bank, but it cannot be sent by post. I have known some charitable persons who wished to do good by stealth, regret that they cannot now enclose a £1. note in a letter and send it to a poor family or a charitable institution anonymously, but are obliged to take a sovereign *in propria persona*.

What will be the effect of this law upon an individual manufacturer? In regard to those wealthy manufacturers who want no accommodation from a banker, the law perhaps will have little effect. But very few manufacturers are of this description. Let us take the case of one who is accustomed to receive from a country bank either as a loan, or in exchange for long dated bills not negotiable in London, £500. or £1000. per week to pay his workmen's wages. Above two-thirds of this sum will probably be in £1. notes. But small notes are abolished. What is he to do now? Five pound notes will not suit him, because his men do not earn each of them £5. per week; and if he classed two or three of them together, and gave them £5. between them, they must take it to the bank to be exchanged before they can divide it. In this emergency the manufacturer may adopt either of these three ways. First, he may procure sovereigns from his banker:—secondly, he may procure his banker's acceptance in exchange for his long bills, send it to London to be discounted, and have the amount remitted in sovereigns:—or, thirdly,

he may open “a tommy shop,” and pay his men their wages in food and clothing. With regard to the first plan, it is not to be supposed that the bankers will lend sovereigns on the same terms as their own notes. They will of course charge an extra commission, which must be paid by the manufacturer. As to the second plan, the banker would in this case too charge a commission upon his acceptance, and the manufacturer would have to bear the risk and expence attending the transmission of the gold, while at the same time the number of bills of exchange would be increased, and this would have the same effect upon prices and exchanges as the increase of country notes. The other plan is illegal. An act of parliament was passed a few years ago to prohibit the practice. But this act may be as easily evaded as the laws of usury. It is only necessary to let the shop be kept in another person’s name. By adopting this plan, the manufacturer would have little occasion for gold. The goods sold in the tommy shop would be paid in the usual way by a bill on London. It is obvious that in adopting either of the first two plans, the manufacturer must incur increased expence, and in the latter plan the workmen would be subject to those extortions which are supposed to be practised in shops of that description.

After the run in December, 1825, several bankers in Lancashire drew in their notes, and burnt them. In one instance a banker took a bundle of £13,000, and put it into the fire at once. One of the witnesses was asked—

“ How have the manufacturers paid their workmen since the small notes were destroyed to that extent ? ”

“ To answer that, I must divide the manufacturers into three classes : —the first and wealthiest do now, as they can at all times, pay their workmen with the notes of the national bank, without the intervention of any agent or banker, and they do pay their workmen in that manner. The second class not so wealthy as the former, are in connection with some of the largest bankers, such as Jones, Loyd, and Co. of Manchester, and through their intervention they would obtain bank of England notes or gold, and would continue their operations. The third class, infinitely

the greatest in number, as well as in the aggregate amount of their transactions; but the poorest cannot resort to either of the former means of obtaining money to pay their workmen. They have been accustomed to obtain accommodation from the country banks in their neighbourhood in which they live. Since the contraction of the circulating medium they have hardly been able to pay their workmen at all: they do it partly by checks upon provision dealers, partly in goods, and partly by collecting from mealmen and bakers the notes of banks circulating within eighty miles of the place in which they live.”*

What will be the effect of this act upon a country banker? It is certain the country banker will save the expence of stamps and of engraving upon his small notes, and he will also save the expence of procuring their payment in London. But then he must find gold. Let us suppose a country banker has £10,000 in circulation in small notes. He must supply their place with sovereigns. He will perhaps sell out £10,000 new four per cent. stock and have the amount remitted in gold. Here is a loss at once of £400 per annum which he was accustomed to receive as a dividend upon his stock. It is obvious he cannot afford to issue these sovereigns on the same terms that he previously issued the small notes. He will charge an extra commission to repay himself the £400 per annum which he has lost.

But suppose the banker reasons with himself in this way—“I now without any risk or trouble to myself receive £400 per annum dividend on this stock. If I sell it out, and discount three months bills at five per cent. and charge a quarter commission, I shall get six per cent. that is, £600 per annum. But then I must deduct from this amount the expence of transmitting the gold, a portion of the expence of my establishment, and the loss that will occasionally take place through discounting bad bills. I will not sell my stock: let those who want sovereigns get them elsewhere.” In this case the banker will restrict his business. The manufacturer unable to obtain the usual accommodation, will

* Lords' Report, p. 296.

restrict his business also. Labourers will be thrown out of work, and the productions of the country will be diminished.

But we will suppose that the banker supplies gold and obtains an extra commission to repay him the expence. In some seasons of the year, particularly in the hopping season in Kent and Sussex, and in harvest time generally throughout the country, the demand for small currency is greater than at other times. He must procure extra supplies. When the demand is over, the gold will be returned upon his hands. He must now send the sovereigns to London again to be profitably employed. Thus the banker will have to bear the risk and expence of frequent transmissions of gold, for which he will hardly be repaid by an extra commission.

What will be the effect of this act upon a London banker? He will not have to pay any small notes for country banks. The paying, sorting, entering and returning these notes takes up a great deal of time. The London banker can now do with fewer clerks. He saves the amount of their salaries, but at the same time he will get less profit by the country banks. The demand for bankers' clerks will be diminished; but there will no doubt be abundant employment for coiners and scale makers.

What will be the effect of this act upon the government? The government will certainly lose the amount of taxes upon the small notes, and also the tax upon the paper used in their manufacture. They will also incur the expence of coining some millions of sovereigns. And whenever the course of exchange shall be against this country, these sovereigns will be exported, and the state will have to incur the expence of a fresh coinage. It cannot be expected that the coin will remain in the country, if every individual can dispose of it to advantage. When gold has been at a premium, even some of the bankers' clerks have sold to bullion dealers the guineas they received in their walks, and put the premium into their own pockets.

Section 8.—Of Joint Stock Banks.

By a clause in the charter of the Bank of England, no partnerships formed for carrying on the business of banking, could consist of more than six persons, but by an act passed the last session of parliament,* co-partnerships of more than six in number are permitted to carry on business as bankers in England, *sixty-five miles from London*, provided they have no house of business or establishment as bankers in London, and that every member of such co-partnership shall be responsible for all the debts of the company. These joint stock banks are also prohibited to draw bills for a less sum than £50 upon any person residing within sixty-five miles of London. They must also deliver to the Stamp-office the names and places of abode of all their members, and also a list of their officers. These lists are to be copied into a book, which any person is entitled to see on paying one shilling, and to obtain a copy for ten shillings. The banks may sue and be sued in the name of their public officer, and execution upon judgment may be issued against any member of the co-partnership. They are not compelled to take out more than four licenses though they may carry on business in as many places as they please, beyond the prescribed distance.

To many persons it appears surprising that no joint stock bank has yet been formed on a large scale, with branches in all the principal towns, but that the Bank of England is allowed to take possession of all the main posts without any kind of opposition. Such a bank would have an advantage over the country private banks, inasmuch as the notes issued at one branch would be paid from courtesy at every other branch. Thus the notes of this bank would have a more extended circulation than those of any provincial bank. It might also have an advantage over the branches of the Bank

* 7 Geo. IV. cap. 46.

of England, by allowing interest on deposits, and opening cash accounts on the system of the Scotch banks. The business of remitting money to and from London might be transacted through a London banker till the year 1833, when London might be made the head quarters. And in the mean time the various branches might be governed by a board of directors meeting in London. The act merely requires that the "co-partnership shall not have any house of business, or establishment as bankers in London, or at any place or places not exceeding sixty-five miles from London." The residence of a board of Directors in London, for the purpose of governing banks, situated sixty-five miles distant would be no infringement of the act. Indeed the Provincial Bank of Ireland is governed in this way, and has its establishment in St. Helen's Place. It appears then that a provincial bank for England and Wales might very easily be formed under the existing law.

But though this limitation in regard to distance does not prohibit the formation of joint stock banks, there are other enactments which operate as serious obstacles. In the first place the new joint stock bank could not issue any notes under £5. while the Bank of England and the country bankers are permitted to issue the small notes until the year 1829. The new bank would thus be cut off from one source of profit, and would have to incur the risk and expence of obtaining their gold from London. How then could they sustain a competition with other banks? But there is also another restriction. This bank could not draw on London any bills under the value of £50. The majority of bills wanted in the country are under this amount; yet such bills the joint stock bank could not supply. The effect of these two restrictions in preventing the formation of new banks, is felt most severely in those parts of England which are situated on the borders of Scotland. In those districts the circulation has consisted almost entirely of notes of the Scotch banks. But these notes are about to be with-

drawn, in consequence of the parliamentary proceedings which took place last session. A memorial signed by one thousand eight hundred and twenty persons, "owners and occupiers of land, merchants, manufacturers, and tradesmen in the counties of Cumberland and Westmorland," has been presented to the Lords of the Treasury, and ordered by the House of Commons to be printed. The memorial after stating that the law which prohibited more than six partners engaging as bankers had occasioned a preference to be given to the Scotch notes, proceeds as follows :—

" No effective alteration has been made in the law which imposes these restrictions upon banking companies in England up to the present moment ; for although in the last session of parliament an act was passed nominally legalizing the foundation of banks with a greater number of partners than six, yet the insertion of a clause prohibiting banks so formed from drawing bills of exchange on London for less sums than fifty pounds, has rendered the concession virtually inoperative. The difficulty of establishing any new bank is farther increased by the recent regulation, altogether prohibiting the issue of any stamps for notes under five pounds value, for what new bank can hope to commence business with a fair prospect of success which is deprived of the advantage enjoyed by existing establishments of issuing such notes until 1829."

If these restrictions operate to prevent the establishment of new banks, in a place where the withdrawing of the Scotch notes would weaken, if not prevent all competition, is it any wonder that new banks should not be formed in stations where every step would be contested by banks already established ? Hence it is that large capitalists have deemed it more prudent to wait until after the bank charter has expired, in 1833, before they engage in the establishment of an opposition bank.

But though the obstacles arising from the above restrictions cannot be wholly removed, they may be diminished. If the joint stock banks are compelled to keep a supply of gold, they will probably force the country banks in their neighbourhood to do the same by refusing to exchange notes with them, or to take any payment by drafts upon London. If the joint stock bank cannot draw bills for less than £50, they

can discount bills under this amount payable in London at a lower rate of interest. By this means they would soon obtain a stock of small bills, which they might endorse, and re-issue to those who wanted bills on London. They might also keep a certain amount of bank post bills. The joint stock banks will probably follow the example of the branches of the Bank of England, and discount bills without extra charges for commission and postage. They may also grant interest on deposits, which would necessarily withdraw from circulation and place in their hands a portion of the notes of the rival banks. To induce the depositors to operate upon their accounts, the bank might grant interest at three per cent. on dead deposits. But if at the end of the half-year the amount of the debit side of the account exceeded by a certain number of times the average amount of the daily balance, then the depositors might be allowed three and a half per cent. And if the proportion should be still higher, four per cent. might be allowed. These frequent operations on the accounts would necessarily keep in circulation a large quantity of notes. Perhaps cash credits might be granted in the same way. A small commission should be charged upon the issue of gold. Should such a system of management be adopted, the restrictions imposed by the act might not be so seriously felt. Indeed several local joint stock banks have been formed in various parts of the country.

Section 9.—Of the Branches of the Bank of England.

The same act which permitted the formation of joint stock banks in England, authorized the bank of England to establish branches in the provincial towns. Branches have been opened at Manchester, Gloucester, Birmingham, and Swansea. Their mode and terms of transacting business are thus described in a Welsh newspaper, called the Cambrian :—

"The Branch Bank is to be a secure place of deposit for persons having occasion to make use of a bank for that purpose; such accounts are termed *drawing accounts*. The facility to the mercantile and trading classes of obtaining discounts of good and unexceptionable bills, founded upon real transactions, two approved names being required upon every bill or note discounted; these are called *discount accounts*. The application of parties who desire to open discount accounts at the branch, are forwarded every Saturday to the Parent Establishment for approval, and an answer is generally received in about ten days. When approved, good bills may be discounted at the branch without further reference to London. Bills payable at Swansea, London, or any other place, where a branch is established, are discounted under this regulation. The dividends on any of the public funds, which are payable at the Bank of England, may be received at the branch here, by parties who have opened "drawing accounts," after signing powers of attorney for that purpose, which the branch will procure from London. No charge is made in this case except the expence of the power of attorney and its postage. Purchases and sales of every description of government securities are effected by the branch at a charge of one quarter per cent. which includes brokerage in London, and all expences of postage, &c. A charge of one quarter per cent. is also made on paying at the Bank of England bills accepted by persons having drawing accounts at Swansea, such bills to be advised by the branch; also for collecting payment of bills at the other branches, and on granting letters of credit on London, or on the other branches. The branch grants bills on London, payable at twenty-one days date without acceptance, for sums of ten pounds and upwards. Persons having drawing accounts at Swansea, may order money to be paid at the bank in London, to their credit at this place, and *vice versa*, without any expence. The branch may be called upon to change any notes issued and dated at Swansea, but they do not change the notes of the bank in London, nor receive them in payment, unless as a matter of courtesy where the parties are known. Bank post bills which are accepted and due, are received at the branch from parties having drawing accounts, and taken to account without any charge for postage; but unaccepted bank post bills, which must be sent to London, are subject to the charge of postage, and taken to account when due. No interest is allowed on deposits. No advance is made by the branch upon any description of landed or other property, nor is any account allowed to be overdrawn. The notes of Messrs. Walters' bank at this place, of Messrs. Williams and Rowland, Neath bank, and of the Brecon old bank, are received in payment at the branch. Any other country bankers may open an account for the like purpose. The notes are the same as those issued by the parent establishment, except being dated Swansea, and made payable there and in London. No note issued exceeds the sum of £500, and none are for a less amount than £5."

We have here an enumeration of nearly all the operations of a country bank. It will be useful to make a

comparison between the different modes of transacting business at the branch, and at the private banks.

First. Drawing accounts.—These are precisely such accounts as are usually kept by tradesmen and others at the London or country banks, and which are usually called running accounts. The account may be either in cash or overdrawn. The London banker allows no interest upon the amount in cash, but charges 5 per cent. interest upon the amount overdrawn. The country banker also charges 5 per cent. interest upon the sum overdrawn, and allows $2\frac{1}{2}$ or 3 per cent. upon the amount in cash. The branch of the Bank of England allows no interest on deposits, and never permits the account to be overdrawn. Though the country banker allows interest on the money in his hands, yet on the other hand he charges 5*s.* or 6*s.* per cent. commission upon the amount of the debit side. London bankers sometimes do the same in regard to the country customers, and then they allow interest on the deposits. Those accounts are distinguished from what the Bank of England terms "drawing accounts," by being termed "commission accounts."

Secondly. Discount accounts.—The regulations of the branch bank in respect to these accounts, must tend to diminish their business. The London and country bankers make no distinction between "drawing accounts," and "discount accounts." Every customer who has a drawing account, may occasionally have bills discounted without opening a separate account. But the Bank of England branch cannot discount bills even for their regular customers, unless the party has sent up his name to the parent establishment, and requested permission to open a discount account. Now there are many men of business who have need of discounts occasionally, and yet who would not like to go through all this form. There are also many safe men in country towns, who may nevertheless not be known to fame in the London money markets; and there are other men who are not

deemed very safe, but who may occasionally receive good bills that a country banker would not hesitate to discount. But these are all shut-out of the branch. The charges of the branch for discount is less than the charge of the country banks. The branch charges only 5 per cent. interest without any extras. The country banks usually make an additional charge of 5s. or 6s. per cent. commission and 1s. postage upon each bill. This competition will probably compel the country bankers to lower their charges, at least upon first-rate bills. Some country banks have already reduced their charge for discounts from five to four per cent. Though still with the commission, their charges are not so low as those of the branch even upon bills that have two months to run, and upon bills of shorter date the disproportion is still greater. For instance, the discount at five per cent. of a bill for £100 at two months is sixteen shillings and eightpence; at four per cent. with a quarter commission, it amounts to eighteen shillings and fourpence. If the bill has only one month to run, the charge at the branch will be eight shillings and fourpence, and at the private banks eleven shillings and eightpence. Were it customary to discount bills drawn at three months, the charge at each bank would be the same.

Thirdly. The regulations and the charges for the transmission of money from the branch to London, or from London to the branch, are nearly the same as those of most of the country banks.

The refusal to exchange at the branch the notes of the parent establishment, except as matter of courtesy, appears to be necessary, as it is possible a person may take notes from London in order to make a run upon the branch. It could not be expected that the Bank of England should keep at each of its branches a sufficient quantity of gold to meet the demands of its whole circulation.

Having compared the Bank of England branches with the private banks, I shall now compare them with the Banks of Scotland.

The Bank of England branches do not grant cash credits. A cash credit in Scotland is precisely the same thing as an overdrawn "drawing account" in a country bank; with this difference, that the Banks in Scotland have two or three other parties as securities, and that they charge no commission on the debit side. Their only charge is for interest on the amount overdrawn. A person who has opened an account of this kind, will never keep much ready money in his house. If he receive £100 this afternoon, he will run with it directly to the bank for the purpose of getting the interest allowed upon it in his account. Hence this system has a tendency to keep the circulating medium in motion, and to enable the same commercial operations to be carried on with a smaller amount. But the Bank of England branches never allow accounts to be overdrawn. Hence they can have no cash credits.

The Bank of England branches have no deposit accounts; "no interest is allowed on deposits." I think this is a matter of deep regret. All the witnesses examined before the parliamentary committee concurred in stating that the happiest effects had been produced upon the character of the lower classes in Scotland by means of deposit accounts. It is true that in England we have Savings Banks, which are conducted upon the deposit system. But these banks are not universally established, and besides they are much restricted. No person can deposit more than £50 the first year, and £30 in every subsequent year, and when he has deposited £200 no more will be received. But it is desirable that the widest encouragement should be given to this excellent system. Were the Bank of England, like the Banks of Scotland, to receive deposits of £10 and upwards, and allow interest upon them at about one per cent. less than the market rate, they would confer an advantage upon the community, and open a source of profit to themselves. This is in fact a part of the proper business of a bank. A banker is

a dealer in capital, an intermediate party between the borrower and the lender. He borrows of one party and lends to another; and the difference between the terms at which he borrows, and that at which he lends, is the source of his profit. By this means he draws into active operation those small sums of money which were previously unproductive in the hands of private individuals, and at the same time furnishes accommodation to another class, who have occasion for additional capital to carry on their commercial transactions.

The establishment of branches of the Bank of England will necessarily occasion some degree of competition between them and the country banks. Apprehensions were entertained in some of the provincial towns, that these branches would prove injurious to their commerce and manufactures. It was stated that these branches would of course receive all government taxes which are now transmitted to London through the country banks; that land-owners, men of independent property, and opulent merchants, would remove their accounts for the sake of greater security to the branch bank; and that the country banks, thus deprived of their best accounts, would be unable to afford the usual accommodation to the middle class of tradesmen and manufacturers, while at the same time the branch confining its discounts to first-rate bills, will no way do any thing towards supplying the accommodation which has thus been withdrawn. Others viewing the expensive mode in which the Bank of England conducts all its operations, have imagined that the profits of their branches will not pay the expence, and that their numerous and tedious forms will operate as obstructions to their business. The bankers of London have maintained, with success, a rivalry with the Bank of England: and why may not the country banks? The number of drawing accounts opened at the parent establishment in London, is wonderfully small, compared with those opened with the private bankers. The banks of Neath, Brecon, and Swansea, have opened accounts at the Swansea branch.

Should these branch banks do business on liberal terms with the neighbouring country banks, they may injure the London bankers. The country bankers will keep the bulk of their ready cash in one of the branches, instead of sending it to their agents in London. Independently of the greater security, how much more convenient would it be, in case of a run, if the country banker could obtain a supply of Bank of England notes, at a distance of about ten miles, instead of taking post-chaises, and driving night and day to their bankers in London. Notwithstanding this advantage, the Bank of England branches will certainly diminish the profits of the country banks. They will draw away some of their best accounts—they will regulate the rate of discount—they will diminish the charges for commission and postage—and they will displace a portion of the provincial notes. But the country bankers have much less to apprehend from the Bank of England branches than they would have to fear from the general establishment of joint stock banks. These banks would probably have more activity and enterprise, and might possess an equal portion of the public confidence. But such banks cannot be established with any extensive effect while the Bank of England maintains the monopoly of a circle, of which the diameter is 130 miles, and London is the center.

Each of the branches is conducted by an agent, selected for his local knowledge, and a complement of clerks supplied chiefly from the parent establishment. All the clerks in the Bank of England take an oath of fidelity and secrecy on entering into office; and repeat this oath on the first of May in every succeeding year. None are admitted after they have attained thirty years of age.

Section 10.—Of the Banks of Scotland.

My information on this subject will be derived principally from the report of the Parliamentary Committees of last session. I shall state first the advantages

of Scotland in regard to banking. Secondly, the acts of parliament that have been passed for their regulation. Thirdly, their mode of transacting business.

First, in regard to the advantages of Scotland. The general provisions of the law of Scotland bearing upon this subject, are calculated to promote the solidity of banking establishments.

1. There is no limitation of the *number* of partners.
2. The *private fortune* of every partner is answerable for the debts of the bank.
3. *Land* as well as other property *may be attached* for debt.

4. In Scotland *all land is registered*, so it is easy for any individual by referring to the records, to ascertain what landed property is possessed by the partners of the bank, and also whether or not it be mortgaged. The following is the language of the Report of the Committee of the House of Commons.

"There is no limitation upon the number of partners of which a banking company may consist; and excepting in the case of the Bank of Scotland, and the two chartered banks, which have very considerable capitals, the partners of all banking companies are bound jointly and severally, so that each partner is liable to the whole extent of his fortune for the whole debts of the company.

"A creditor in Scotland is empowered to attach the real and portable, as well as the personal estate of his debtor for payment of personal debts, among which may be classed debts due by bills and promissory notes; and recourse may be had for the procuring payment to each description of property at the same time. Execution is not confined to the real property of a debtor merely during his life, but proceeds with equal effect upon that property after his decease.

"The law relating to the establishment of records, gives ready means of procuring information with respect to the real and heritable estate of which any person in Scotland may be possessed. No purchase of an estate in that country is secure until the seisin (that is, the instrument certifying that actual delivery has been given) is put on record; nor is any mortgage effectual until the deed is in like manner recorded.

In the case of conflicting pecuniary claims upon real property, the preference is not regulated by the date of the transaction, but by the date of its record. These records are accessible to all persons; and thus the public can with ease ascertain the effective means which a banking company possesses of discharging its obligations, and the partners in that company are enabled to determine with tolerable accuracy, the degree of risk and responsibility to which the private property of each is exposed.

"There are other provisions of the law of Scotland, which it is not necessary minutely to detail, the general tendency of which is the same with those above-mentioned."

Secondly. Notice those acts of parliament which have been passed in reference to banking in Scotland.

"The first notice of banking in Scotland which occurs in the statute book, is an act of King William the Third, passed in the year 1695, under which the Bank of Scotland was established. By this act an exclusive privilege of banking was conferred upon that bank, it being provided, "that for the period of twenty years from the 17th July, 1695, it should not be lawful for any other persons to set up a distinct company or bank within the kingdom of Scotland, besides those persons in whose favour this act is granted. No renewal of the exclusive privilege took place after the expiration of the twenty-one years.

"The Bank of Scotland first issued notes of 20s. in the year, 1704; but the amount of notes in circulation previous to the Union was very limited.

"The Bank of Scotland continued the only bank from the date of its establishment in 1695, to the year 1727.

"In that year a charter of incorporation was granted to certain individuals named therein, for carrying on the business of banking under the name of the Royal Bank; and subsequent charters were granted to this establishment, enlarging the capital, which now amounts to one million and a half.

"An act passed in the year 1765, is the first and most important act of the legislature, which regulates the issue of promissory notes in Scotland.

"It appears from its preamble that a practice had prevailed in Scotland of issuing notes, which circulated as specie, and which were made payable to the bearer on demand, or payable at the option of the issuer at the end of six months, with a sum equal to the legal interest from the demand to that time.

"The act of 1765, prohibits the issue of notes, in which such an option as that before-mentioned is reserved to the issuer. It requires that all notes of the nature of a bank note, and circulating like specie, should be paid on demand; and prohibits the issue of any promissory note of a sum less than 20s.

"With respect to the issue of promissory notes in England, an act was passed in 1775, prohibiting the issue of any such notes under the sum of 20s. And in the year 1777, restraints were imposed by law on the issue of notes between the sum of 20s. and £5, which were equivalent to the prohibition of such notes circulating as specie.

"In the year 1797, when the restrictions as to payments in cash was imposed upon the Bank of England, the provisions of the act of 1777 with regard to the issue of notes between 20s. and £5 were suspended. By an act passed in the third year of his present Majesty, the suspension was continued until the 5th January, 1833; but now stands limited by an act of the present session to April 5th, 1829.

"The general result of the laws regulating the paper currency in the two countries is this:—

"That in Scotland, the issue of promissory notes payable to bearer on demand for a sum of not less than 20s. has been at all times permitted by law, nor has any act been passed limiting the period for which such issue shall continue legal in that country. In England, the issue of promissory notes for a less sum than £5 was prohibited by law from the year 1772 to the period of the bank restriction in 1797. It has been permitted since 1797; and the permission will cease as the law at present stands in April, 1829."

Thirdly. Take a view of their mode of transacting business. 1. Receiving deposits, and allowing interest upon them. 2. Discounting bills. 3. Advancing money on cash accounts. 4. Transmitting money from one part of the country to another. Of this last branch of business, the committee have not taken any notice. In all their advances the banks issue their own notes.

1. Receiving deposits.

"The interest allowed by a bank upon deposits, varies from time to time according to the current rate of interest which money generally bears. At present the interest allowed upon deposits is 4 per cent.

"It has been calculated that the aggregate amount of the sums deposited with the Scotch banks amounts to about twenty or twenty-one millions. The precise accuracy of such an estimate cannot of course be relied on. The witness by whom it was made, thought that the amount of deposits could not be less than sixteen millions, nor exceed twenty-five millions, and took an intermediate sum as the probable amount.

"Another witness who had been connected for many years with different banks in Scotland, and has had experience of their concerns at Stirling, Edinburgh, Perth, Aberdeen, and Glasgow, stated, that more than one half of the deposits in the banks, with which he had been connected, were in sums from ten pounds to two hundred pounds.

"Being asked what class of the community it is that makes the small deposits? he gave the following answer; from which it appears that the mode of conducting this branch of the banking business in Scotland, has long given to that country many of the benefits derivable from the Savings Banks.

"Question.—What class of the community is it that makes the smallest deposits? Answer.—They are generally the labouring classes in towns like Glasgow. In country places like Perth and Aberdeen, it is from servants and fishermen, and just that class of the community who save from their earnings in mere trifles small sums till they come to be a bank deposit. There is now a facility for their placing money in the provident banks, which receive money till the deposit amounts to ten pounds. When it comes to ten pounds, it is equal to the minimum of

a bank deposit. The system of banking in Scotland is just an extension of the provident bank system. Half-yearly or yearly those depositors come to the bank, and add the savings of their labour with the interest that has accrued upon the deposits, from the previous half-year or year to the principal; and in this way it goes on without being at all reduced, accumulating till the depositor is able either to buy or build a house, when it comes to be one, or two, or three hundred pounds, or till he is able to commence business as a master in the line in which he has hitherto been a servant. A great part of the depositors of the bank are of that description, and a great part of the most thriving of our farmers and manufacturers have arisen from such beginnings."

2. Discounting bills.

On sums advanced by the banks on discount of bills of exchange, and upon cash credits, an interest of 5 per cent. is at present charged without any commission.

3. Cash credits.

"A cash credit is an undertaking on the part of the bank to advance to an individual such sums of money as he may from time to time require, not exceeding in the whole a certain definite amount, the individual to whom the credit is given, entering into a bond with securities, generally two in number, for the repayment on demand of the sums actually advanced, with interest upon each issue from the day upon which it is made.

"Cash credits are rarely given for sums below one hundred pounds; they generally range from two to five hundred pounds, sometimes reaching one thousand pounds, and occasionally a larger sum.

"The bank allows the party having the cash credit to liquidate any portion of his debt to the bank at any time that may suit his convenience, and reserves to itself the power of cancelling whenever it shall think fit the credit granted." The expence of a bond for a cash credit of £500 is £4 stamp duty, and a charge of half-a-guinea per cent. for filling it up. The bank always stipulates that the account shall be "operated upon." No account is considered to have been well operated upon, if the total number of transactions in the course of a year is not equal to five times the amount of the credit, but very often they are forty or fifty times that amount. It would also be reckoned a bad account for the bank if the party had to pay interest upon more than one half the amount of the credit.*

The following list contains an account of the number of banks in Scotland—the name of the firm or bank—date of its establishment—place of the head office—number of branches—number of partners, and the name of their London agents.

* Evidence before the Lords' Committee, p.p. 180, 181; and evidence before the Committee of the House of Commons, p. 211.

Names of Firms or Banks.	Date.	Head Office	No. of Branches.	No. of Partners.	London Agents.
1 Bank of Scotland	1695	Edinburgh	16	charter	Coutts & Co.
2 Royal Bank of Scotland.....	1727	Ditto	1	ditto	Bk. Eng. & do.
3 British Linen Company	1746	Ditto	27	ditto	Smith, Payne, & Co.
4 Aberdeen Banking Company ..	1767	Aberdeen	6	80	Glyn & Co.
5 Aberdeen Town & Country Bk.	1825	Ditto	4	446	Jones, Loyd, & Co.
6 Arbroath Banking Company ..	1825	Arbroath	2	112	Glyn & Co.
7 Carrick & Co. or Ship Bank ..	1749	Glasgow	none	3	Smith, Payne, & Co.
8 Com. Bank. Comp. of Scotland ..	1810	Edinburgh	31	521	Jones, Loyd, & Co.
9 Commercial Banking Comp....	1778	Aberdeen	none	15	Kinlock & Sons
10 Dundee Banking Company ..	1177	Dundee	none	61	Kinlock & Sons
11 Dundee New Bank	1802	Ditto	1	6	Ransom & Co.
12 Dundee Commercial Bank ..	1825	Ditto	none	202	Glyn & Co.
13 Dundee Union Bank	1809	Ditto	4	85	Glyn & Co.
14 Exchange and Deposit Bank ..		Edinburgh		1	
15 Falkirk Banking Company ..	1787	Falkirk	1	5	Remington & Co.
16 Fife Banking Company	1802	Cupar Fife		39	(discontinued 1825)
17 Greenock Banking Company ..	1785	Greenock	3	14	Kay & Co.
18 Glasgow Banking Company ..	1809	Glasgow	1	19	Ransom & C. Glyn & C.
19 Hunters and Co.	1773	Ayr	3	8	Herries & Co.
20 Leith Banking Company	1792	Leith	4	15	Barnett & Co.
21 National Bank of Scotland ..	1825	Edinburgh	8	1,238	Glyn & Co.
22 Montrose Bank	1814	Montrose	2	97	Barclay & Co.
23 Paisley Banking Company ..	1783	Paisley	4	6	Smith, Payne, & Co.
24 Paisley Union Bank	1788	Ditto	3	4	Glyn & Co.
25 Perth Banking Company ..	1766	Perth	5	147	Barclay & Co.
26 Perth Union Bank		Ditto		69	Remington & Co.
27 Ramsay's, Bonar's and Co. ..	1738	Edinburgh	none	8	Coutts & Co.
28 Renfrewshire Banking Comp..	1802	Greenock	5	6	Kay & Co.
29 Shetland Bank		Lerwick		4	Barclay & Co.
30 Sir Wm. Forbes and Co.		Edinburgh		7	(Barclay) (Coutts)
31 Stirling Banking Company ..	1777	Stirling	2	7	Kinlock and Sons
32 Thistle Bank	1761	Glasgow	none	6	Smith, Payne, & Co.

Private Banking Companies who do not issue notes.

Thos. Kinnear and Sons	1748	Edinburgh	none	Smith, Payne, & Co.
Donald, Smith and Co.	1773	Ditto	none	Glyn & Co.
Robert Allan and Son	1776	Ditto	none	Bosanquet & Co.
James Inglis and Co.		Ditto	none	Bosanquet & Co.

To the foregoing list of banks should be added, the establishments of Messrs. John Maberly and Co. In the year 1818, Mr. Maberly, who is an extensive manufacturer in Scotland, commenced the business of banking at Edinburgh, Glasgow, Aberdeen, Montrose, and Dundee. At that time the par of exchange between London and Scotland varied from forty to fifty days according to the distance of the various towns. By the pars of exchange is meant, that a person might take money to the Scotch banks, and receive in exchange a bill upon London drawn at forty or fifty days after date. Mr. Maberly issued bills at twenty days after date, which

compelled the banks to do the same; and he has now reduced his par to ten days. By these measures he was necessarily involved in a contest with the banks of Scotland. The mode in which that contest has been carried on, is thus described by Mr. Maberly himself.*

"The banks of Scotland have until very lately refused to exchange with me, and in many instances to take my paper, keeping up by every effort that could be made, that attempt to induce me to give up those establishments which have competed with them in the exchange. In the summer of 1821, a formal and specific proposition was made to the whole of the chartered banks in Edinburgh, to exchange with me as with others. This proposition was entertained, and supposed to be acquiesced in by several of the bankers, but when the question came to be discussed by them generally and collectively, the proposition was rejected. It therefore became necessary for me, when I had any demands upon the Scotch bankers, to require payment for that which I held in notes against them. As a metallic circulation is not that of Scotland, I demanded payment, leaving the bankers their option of paying me in gold, in Bank of England notes, or in bills at sight on London. In many instances they made an attempt to detain my people all day by giving them silver. That I rejected in the first instance, because I had no right to take more than forty shillings. They then set up a right of holding every single note as a separate demand, and therefore that they had a right to pay each in silver, because each note was a separate demand. However, they shortly waved that, and paid in gold. The whole of this before the new sovereigns came out had to be weighed, and my people were kept whole days in some of their shops, from the quantity of light gold offered to them. The payment in gold was always their own choice and not my demand. They imported gold from London for the purpose of annoying me, that I might have that gold to send back again."

During the panic in December, 1825, Mr. Maberly received of the Scotch banks nearly £100,000 in gold, though he was willing to take the amount in bills of exchange, drawn at three days sight upon London.

Mr. Maberly does not grant cash credit, but he receives deposits and cash accounts, and allows interest at four per cent. on the balances in his hands. He issues notes chiefly of the amount of £1. But to prevent any run being made upon him by the bankers in Scotland, all his notes are made payable only in London, and payment of any of the deposits can be claimed only by a bill of ten days upon London. If any depositor

* Evidence before the Committee of the House of Lords, p. 283.

gives thirty days notice of his intention to withdraw his money, he receives half per cent. more interest. But though the payments of the notes and deposits cannot be demanded any where but in London, they are always as a matter of courtesy paid in Scotland.

This contest, however, appears to be subsiding, for Mr. Maberly states—

“ I have lately made arrangements with the British Linen Company, the National Banking Company, and the Commercial Banking Company of Scotland, and the Leith Bank. The other banks in Edinburgh do not exchange with me, except a private bank. In Glasgow nine—in Aberdeen the whole of the local banks exchange with me; and therefore when I have a demand upon any of those banks that exchange with me, I take their bills on London, if the balance of that exchange is in my favour. If against me, they take my bill on London, at the same date—a date agreed on.”

This mode of making exchanges is common to all the banks of Scotland. The branches exchange their notes upon each other, and receive the difference by an order payable on demand at Edinburgh. At Edinburgh the parent establishments exchange and receive payment by a bill at ten days on London. The country bankers in England act in the same way. Their exchanges are usually made once a week, and the difference is paid in course of post by their agents in London.

The total amount of notes circulated by all the banks of Scotland at the beginning of last year was £3,309,082. The notes under £5, amounted to £2,079,244. Robert Paul, Esq. Secretary of the Commercial Bank of Scotland, stated to the Committee of the House of Lords, that the following would be the effects of the abolition of the small notes.*

“ We should diminish the number of our branches—because we should be involved in an expence in the transmission of gold, which the profits arising out of our branches could never compensate; they are not the most profitably part of our business; they are attended with a great many hazards and disadvantages.

* Lords' Report, p. 204.

" We should withdraw our cash accounts—because they could no longer accomplish the end for which they were granted; which was the maintaining our circulation, especially of our small notes.

" We should diminish the interest of our deposit accounts—because we should then be required to keep a very large amount of dead stock of gold in our coffers, to meet the constant variations that would arise, and to keep it wholly unproductive. I imagine that if a gold currency were substituted for a small note currency, there would be a much greater amount of gold required than there is at present of notes. We have at present, in order to meet the constant variations, a large amount of notes constantly on hand, and in the same way we should require a stock of gold, and that would be proportionably larger as the general circulation would be greater."*

The following letter, written by an agent at Inverary, to Roger Aytoun, Esq. manager of the Renfrewshire bank at Greenock, states the inconveniences which the writer apprehends would result from the introduction of a metallic currency into that part of Scotland.

" With regard to the proposed measure of suppressing bank notes in Scotland for less than five pounds, I think it will be ruinous to this country; for I cannot see how, if it takes place, the business of the country can be carried on. Confining myself to some of the most prominent instances in which the Highlands will be affected, I shall state the difficulties that occur to me. Our produce chiefly consists of cattle and sheep, grain, wood, kelp, and the production of the fisheries. Cattle are brought to the country markets by the breeders, chiefly small farmers, every man attending his own, and having generally from one to three young animals for sale. There they are met by the dealers and graziers, who purchase such of the beasts as suit them; and it is seldom that a single animal, at the age of one or two years, being the ages at which they sell them to the dealers and graziers, comes to the price of five pounds; the price is more frequently from two to four pounds. Of these a dealer often purchases two or three hundreds in single beasts, so that he has more than one pound and less than five pounds to pay to each of as many sellers; but he has no notes under five pounds, and the sellers are not able to return balance in any coin. This will occur to many dealers at every market; and how is the difficulty to be removed? The dealers must all come loaded with gold and silver, and this they cannot carry to the necessary amount; and besides, they will not be supplied by banks with gold and silver for their bills, by which there would be no profit. The means of paying being wanting, the seller will not deliver, and the object of the parties is frustrated; and thus a difficulty is cast in the way of disposing of this material article of Highland produce, which must discourage the sales, and occasion a reduction of price, and consequently of the rent and value of land.

* Lords' Report, p. 132.

" It is the same in the case of grain, of which bear or barley is what is chiefly sold by small farmers to the distilleries. In settling for some bolls, bought in small quantities of two or three bolls, five pound notes will be found most inconvenient: and the purchasers and manufacturers of wood and bark, and of sea-weed for kelp, who require many hands, and pay off their workers generally once in the month, none of whom will draw so small a sum as one pound, nor so large a sum as five pounds, will experience the same difficulty.

" The herring fishery on our coasts employs several thousand men, and is of very great importance. Instances have occurred of herrings being taken in Lochfine alone to the value of £40,000 in one season; and a thousand boats are generally employed there in the fishing. The fishermen every morning sell their fish to the curers on shore, receive their money, and set out in quest of more. The value of each boat's fishing for a night sometimes exceeds £5, but generally is under it; and there are in this fishing station alone a thousand boats to be paid off every morning, of whom most probably two thirds have to receive less than £5 each. It will be impossible to provide gold and silver sufficient for such a purpose; and in the remote parts of the North Highlands, where the fishery is much more extensive, and banks at a greater distance, the difficulty is insuperable.

" At present the business of the Highlands is transacted by means of bank notes of £1 and £1 1s. with some larger notes on occasions, and that with the greatest facility. Cattle dealers, and all others having to pay away money to any amount in small sums to a number of people, as in the instances mentioned, prepare themselves by a mixture of notes, some large and some small, accompanied by a few pounds of silver, and every thing goes on well. These notes are preferred by the country people before gold, both because they are unable to distinguish between the genuine and base metal, and because these coins are more liable to be lost from their pockets than notes; and they have no reason to repent their confidence in the stability of these banks, whose notes they have been accustomed to receive for so many years in their transactions. But if small notes are superseded, and gold substituted, it is not easy to see how the supply of gold is to be kept up to carry on the business and transactions of this country. Should a quantity of it be received into the circulation, it would not remain long, but find its way into the banks, who will not again give it out in bills as they do their notes, and it will immediately become a scarce article in the country. A person then, having to pay in small sums, will on every such occasion be obliged to send his large notes to the bank that issued them, perhaps a hundred miles off, to receive gold and silver in their place, to answer his purpose. The conveyance of it to him is next to be provided for. The weight may be too much for the post. There are no mail caaches; and he must either employ a carrier, moving too slowly for his occasions, or be at the expense of sending a trusty person for the treasure.

" In transmitting money from one part of the country to another, the same difficulty will often present itself. Suppose a person in the Western Isles has to pay £19 to one on the Continent. At present this may be

conveniently done by three notes of £5 and four of £1 inclosed by post; but when there shall be no £1 notes, the odd £4 must be sent in gold or silver, not conveniently carried in a post letter, and requiring that a person be employed for the purpose, and at some expence.

" Many other such difficulties and inconveniences will occur. These presented themselves to me, and I stated them hastily, without regard to order. If you find any thing in them useful for the purpose, I shall be pleased. But it appears extremely hard that the Scotch system should be disturbed, and that we should be obliged to adopt one not only unsuitable to our purposes, but ruinous to the business of our country."

Section 11.—Of the Banks of Ireland.

The following are the only banks in Ireland as given in the Appendix to the Report of the Committee of the House of Lords in 1826.

Banks.	Places where established.	Banks.	Places where established.
Bank of Ireland	Dublin	Belfast Bank	Belfast
Seven Local Agencies	Cork Waterford Clonmel Newry Derry Belfast Westport	Eight Agencies.	Derry Armagh Balymena Newry Coleraine Dundalk Banbridge Dublin
Provincial Bank of Ireland }	London	Belfast Commercial Bank.	Belfast
Seven Branches	Cork Limerick Belfast Londonderry Sligo Clonmel Wexford	Two Agencies at Hibernian Joint Stock Company. Shaw's Bank Ball's Bank One Agency Findlays and Co. La Touche Delacour	Armagh Dublin
In preparation for Business, not yet opened	Waterford Galway Kilkenny		Dublin Dublin Londonderry
Northern Banking Company }	Belfast		Dublin Dublin Mallow
	Downpatrick Newry Armagh Lurgans Tandragee Banbridge Dungannon Coleraine Balymena Derry Magherafelt		
Eleven Agencies			

Total amount of notes in circulation of the bank of Ireland on the 9th of March, 1826, in British currency.

Notes under £5	Above £5	Total
£1,846,823 : 9 : 5 :	£1,659,518 : 9 : 11	£3,506,341 : 19 : 4

Highest and lowest amount of notes in circulation in Ireland, in the year 1825, exclusive of those of the Bank in Ireland, in British currency.

Under £5	Above £5	Total
Highest amount 1,359,054.	106,605.	1,465,659.
Lowest amount 854,126.	65,987.	920,113.

The Joint-stock banks in Ireland, are the Bank of Ireland, the Provincial Bank of Ireland, the Northern Banking Company, and the Hibernian Bank.

The Bank of Ireland.

The Bank of Ireland was established in 1783; and its privileges resemble those of the Bank of England. Its capital was at first £600,000, but on various renewals of its charter the capital increased to £2,500,000. In 1821* the charter was again renewed, until the year 1838, and the capital augmented to £3,000,000. On this renewal the bank gave up some of its peculiar privileges. At present banks containing more than six partners may be formed at a greater distance than fifty† Irish miles from Dublin. These banks are not allowed to draw bills upon Dublin for a smaller sum than £50, nor at a less time than six months after date. This enactment amounts to a prohibition of drawing bills. Joint-stock banks in England are not restricted as to the time of their bills, but only in regard to the amount.

A few years ago the Bank of Ireland opened an account with the Bank of England, and commenced

* 1 and 2 Geo. IV. c. 72.

† Eleven Irish miles are equal to fourteen English miles. In addition to assimilating the currency of the two countries, the government has began to assimilate their measures. All land let on lease must now be let according to the English acre. This law has been in force since January 1, 1826.

drawing bills at twenty days' date, in exchange for cash. This beneficial measure has been of great advantage to the people of Dublin, and has prevented those great fluctuations to which the course of the exchange was previously exposed. No charge is made except the expence of the stamp. The agents at the various branches draw bills on Messrs. Coutts and Co. No. 59, Strand.

In 1825 the Bank of Ireland, in consequence of the formation of rival banks, established branches in some of the provincial towns. They have establisments in Cork, Londonderry, Belfast, Newry, Waterford, Clonmel, and Westport. Each of these branches is managed by two agents who give adequate security, and are allowed to act according to their discretion. The notes issued at their branches are not payable in gold any where but in Dublin, except as matter of courtesy. When the Irish currency was altered, an alteration to this effect was made in the form of the Irish notes. Previous to the assimilation of the currency the silver money of Ireland consisted of ten-penny and five-penny pieces. An English shilling passed for thirteen-pence, and £100 British, was equal to £108 6s. 8d. Irish.

The notes issued by the Bank are for the sums of £1, £1 10s. £3, and £5, and for larger amounts. Post-bills are sent from Dublin to the branches with the date and amount in blank, and are filled up by the agents when issued. None are now for a less amount than £5, though formerly they were as low as £3. None of the notes or post-bills issued by the Bank of Ireland are stamped. They pay a composition in the same way as the Bank of England.* The sum paid at present is £12,000 per annum.

* By Act 55 Geo. III. c. 184. the sum paid by the Bank of England as a composition for the stamp duty upon their promissory notes and Bank post bills, is £3,500 for every million sterling. It was enacted that a new composition should be made when the Bank should resume cash payments.

The Bank of Ireland does not, either at Dublin, or at any of its branches, grant cash-credits, or allow interest on deposits. Indeed the directors deem it illegal for bankers to allow interest for money placed in their hands, as it is prohibited by an act of the Irish parliament. The bank discounts bills at ninety-one days' date, and charges 5 per cent. without commission, though the legal rate of interest in Ireland is 6 per cent. None of the banks, however, charge more than five; and the Bank of Ireland is restrained from doing so by its charter. The government is under an engagement to receive its notes in payment of taxes, fractional parts of twenty shillings only excepted. The bank is erected on the site of the building in which the Irish parliament assembled previous to the Union with Great Britain. The first stone was laid by the Earl of Hardwicke, on the eighth day of March, 1804.

The Provincial Bank of Ireland.

I cannot give a better account of this bank than by making a few extracts from the memorial which its directors presented to the Treasury on the 2nd of March, 1826.

“ This memorial sheweth,

“ That the society, or co-partnership, denominated the Provincial Bank of Ireland, was established by deed of settlement, of date 1st August, 1825, under the authority of an act passed in the last session of parliament, intituled, ‘ An act for the better regulation of co-partnerships of certain bankers in Ireland.’

“ That a capital of two millions, divided into twenty thousand shares, was subscribed by the share-holders of this society, or co-partnership, chiefly in London.

“ That the names of the shareholders have been duly registered at the Stamp-office, in Dublin, and amount in number nearly to one thousand, composed almost entirely of persons of wealth and respectability, and that the security to the public for the obligations of the

Provincial Bank of Ireland, whether arising from the issue of notes or deposits, is thus of the most ample and satisfactory nature.

"That the distinguishing features of the system adopted by the memorialists are as follow :—

"1. The establishment of branches in every principal town throughout Ireland, at a greater distance than fifty miles from Dublin, from the space within which circle your memorialists are excluded by the existing privileges of the Bank of Ireland.

"2. The notes of the Provincial Bank are all payable on demand at the branches where they are respectively issued, and convertible into gold there, at the will of the holders, differing in this respect from the notes of the Bank of Ireland, which are convertible into gold at Dublin only.

3. "The issues of notes by the Provincial Bank are made only on securities, founded on real transactions, arising out of the industry of the people in the pursuit of commerce and agriculture, and the rate of interest which it charges to those dealing with it is under that which the law allows.

4. "The Provincial Bank allows interest at the rate of 2 per cent. on money deposited, a practice but partially known in the north of Ireland, and altogether new in by far the greater part of the country."

"That of the branches intended to be established by your memorialists, five have been already opened: viz. Cork, Limerick, Clonmell, Londonderry, and Sligo, and that nine more are in progress, houses having been engaged, officers appointed, notes prepared, and other arrangements made for commencing business without delay."

The Provincial Bank of Ireland has made a call of £25 per share, so that the sum of £500,000 has actually been paid up. The principal officers at each branch of this bank in Ireland are a manager and an accountant, who in every case hitherto are either Englishmen or Scotchmen. There is also a local board of directors, consisting of three, four, or five respectable gentlemen, residing in the place, each of whom must be a proprietor of ten shares in the bank.

These directors have the power of discounting bills, and of granting cash-credits to the extent of £1000.—Cash-credits for a larger amount cannot be granted without application to the board of directors in London. The local directors are paid a small sum which is divided among them according to the constancy of their attendance. The manager takes his seat with the directors, and has a veto on their decisions. In case of

difference of opinion between him and the local directors, the question in dispute is referred to London.

The Provincial Bank is restricted from issuing any post-bills; but it issues notes of £1. £1. 5s. £1. 10s. £3. £5. and £10. All these notes are payable in gold at the place where they are issued. The notes issued by any one branch are paid as matter of courtesy by all the other branches; and they are paid also by Messrs. Latouche and Co. Dublin: but payment of a note cannot be CLAIMED any where but at the place where it is issued. The Provincial Bank discounts bills at 5 per cent. without commission. This bank has hitherto paid a dividend at the rate of 4 per cent. on the portion of its capital which is paid up. Branches are established at the following places:—Cork, (opened September 1st. 1825,) Limerick, (November 1st. 1825,) Clonmell, (November 15th, 1825,) Londonderry, (December 12th, 1825,) Belfast, (March 1st. 1826,) Sligo, (February 20th, 1826,) Wexford, (March, 1826,) Waterford, Galway, Armagh, and Athlone. The business at every branch continues to prosper and improve.

The Northern Banking Company.

This was originally a private bank at Belfast, and was called the Northern Bank; but after the act of 1825 was passed, it was formed into a joint stock bank, and assumed its present title. Its nominal capital is £500,000, consisting of 500 shares of £100. each. The number of partners, or share-holders, is supposed to be about sixty. The portion of the capital advanced is £125,000. The notes issued are for £1. £1. 5s. £1. 10s. and £1. 15s. None of a higher amount have been issued since the assimilation of the currency. Their notes are not payable in Dublin. They allow interest on deposits at 3 per cent. if the money remains in their hands three months, and 2 per cent. for a shorter time. This has compelled the Provincial Bank to allow also 3 per cent. in those places

where branches of both banks are established. They charge 6 per cent. on money advanced by cash-credits, or otherwise, but charge only 5 per cent. on bills discounted.

The Hibernian Joint Stock Loan Company.

This bank was originated principally by some Roman Catholic gentlemen, in consequence of the exclusion of members of that body from the directory of the Bank of Ireland, and it was supported by many Protestants, who thought it would be an advantage to have an opposition bank in the city of Dublin. Its nominal capital is £1,000,000, divided into 10,000 shares of £100 each. Twenty-five per cent. has been paid upon each share, so that the money actually advanced amounts to £250,000. This bank receives deposits, but grants no interest on them, as it is not deemed respectable in Dublin for a banker to do so. Its deposits were supposed by Mr. Pim* to amount to about £80,000, or £90,000. They cannot issue notes nor establish branches. They do not grant cash-credits, but they discount bills at 5 per cent. in doing which they issue gold and Bank of Ireland notes. The London agents for this company are Messrs. H. and J. Johnston and Co. 9, Scots Yard, Bush Lane.

In the year 1824 this company obtained an act, entitled, "An act to enable the Hibernian Joint Stock Company, for the purpose of purchasing and selling annuities, and all public and other securities, real and personal, in Ireland, and to advance money and make loans thereof, on the security of such real and personal security, at legal interest, and on the security of merchandize and manufactured goods, to sue and be sued in the name of the governor or secretary for the time being."†

* Evidence before the Commons, p. 83.

† Anno quinto Georgii. IV. Regis. cap. 159.

The preamble states, that—

“ Whereas the commerce and manufactures and agriculture of Ireland has long laboured under great disadvantage, arising from the want of due command of capital ; and that merchants and manufacturers have no means of procuring temporary advances of money on a deposit of their goods, when a slackness of demand arises ; and whereas several persons have agreed to form themselves into a company, or partnership, under the name of the ‘ Hibernian Joint Stock Company,’ and have subscribed or raised considerable sums of money in order to purchase and sell annuities and all public and other securities, real and personal, in Ireland ; or to make loans and advances of money on the security thereof, and on the security of merchandize and manufactured goods, at legal interest, and to receive lodgments of money or deposits thereof ; and great public benefit is expected to be derived to the trade, manufactures, and agriculture of Ireland from the formation of such a company, or partnership ; and whereas difficulties may arise from time to time,” &c.

It is enacted that this company may sue and be sued in the name of their governor or secretary. A memorial of the names of the governor, secretary, and members, and of the transfer of shares, to be enrolled in Chancery ; and no actions to be brought by the company, under the authority of this act, until such memorial shall have been enrolled. Execution upon any judgment against the governor or secretary may be issued against any of the members, who are to be reimbursed their expences by the company.

“ Provided always, and be it further enacted, that it shall not be lawful for the said company, or any person or persons on behalf of the said company, in any manner to stipulate, contract, or agree with any person or persons to limit or restrict the liability of the members of the said company, or any of them, or to make any special agreement in relation to the extent of the liability of the members of the said company or any of them.

“ Provided always, and be it further enacted, that the powers and provisions of this act shall not take effect until the members of the said company shall have subscribed and engaged to pay by a contract, binding the subscribers, their heirs, executors, and administrators for payment of the money so subscribed (according to the amount of their respective subscriptions) to the amount of four-fifths of the capital of one million so intended to be created, nor until the sum of two hundred and fifty thousand pounds ; part of such sum so to be subscribed, shall have been paid into the Bank of Ireland, or invested in stock of the governor and company of the Banks of England or Ireland, or government securities, in the name of the governors and directors of the said intended Hibernian Joint Stock Company, for the benefit and use of the said company.”

The Private Banks.

The following are the private banks in Dublin :—

NAMES.	LONDON AGENTS.
Messrs. Ball and Co.	{ Morland and Co. 50, Pall-Mall. Ransom, 1, Pall-Mall East.
Messrs. Findlay and Co.	Messrs. Hammersley & Co. 69, Pall-Mall.
Messrs. La Touche and Co.	{ Messrs. Puget, Bainbridge, and Co. 21, St. Paul's Church Yard.
Sir Robert Shaw and Co.	{ Messrs. Harman and Co. Adam's Court, Old Broad Court.

Messrs. Findlay and Co. and Messrs. La Touche and Co. do not issue notes, but the former are in the habit of issuing post-bills.

The only private banks, north of Ireland, are at Belfast.

TITLES.	NAME.	LONDON AGENTS.
Belfast Bank.	Messrs. Batt, Houston, & Batt,	{ Messrs. H. & J. Johnston and Co. 9, Scots Yard, Bush Lane.
Commercial Bank, } Belfast.	} Messrs. Tennant & Co.	{ Messrs. Dennison & Co. 106, Fenchurch-st.

The private banks at Belfast do not grant cash-credits. They allow 3 per cent. interest on deposits, but not on running accounts ; and they discount bills at 5 per cent. without commission. The notes issued by the Belfast Bank are for £1. £1. 1s. £1. 5s. £1 10s. £1 15s. and £2 2s.: none are of a higher amount. They are payable only at Dublin (not at Belfast), at the house of Solomon Watson, Esq. Sackville Street. The agents of this bank discount bills at their own risk, and are allowed a commission on their transactions. John Holmes Houston, Esq. a partner in this bank, stated to the committee of the House of Lords that the average annual issues of the bank for “ fifteen years, from 1811 to 1825, has been £322,000 ; the expence of carrying on the establishment has been (including stamp-duty, house-rent, agencies, paper and printing, clerks and managers salaries) £10,000 per annum : by this it will appear, and the fact is, that it requires at least a circulation of £200,000 to defray the expences. Therefore unless a

bank, managed as this has been, circulates £200,000, it would be a losing concern : all above that is the profit.”*

The notes of the Commercial Bank are payable only at Belfast ; and consequently they do not circulate over so great an extent of country as those of the Belfast bank.

The only private bank, south of Dublin, is one at Mallow, Messrs. Delacour and Co. whose London agents are Messrs. H. and J. Johnston and Co. 9, Scots Yard, Bush Lane. There are private discounters of bills at Limerick, and other places, but no other banks.

In viewing this statement of the banks in Ireland we shall observe several circumstances worthy of notice :—

1. The fewness of the banks of Ireland compared with those of England.—This may be accounted for by the circumstance of several private banks having failed within the last few years, and also from the character of the country as an agricultural country. Ireland has had hitherto few manufactures and little commerce. Banks do not abound except in wealthy and commercial countries. In those parts of Ireland where manufactures and commerce are most extended, there it is that we find the greater number of banks. On this principle it may be inferred that the banks in Ireland will advance in prosperity ; for since the repeal of the Union duties—duties which were imposed with the design of protecting Irish commerce and manufactures—the trade and manufactures of Ireland have very considerably increased.†

2. The second circumstance to be noted is, that the Irish banks issue notes for pounds and odd shillings.—In England there are scarcely any notes issued between £1 and £5 ; the £1 1*s.* £2, and £2 2*s.* notes are very few. But in Ireland they have notes for £1 5*s.* £1 10*s.*

* Lords' Report, p. 40.

† Evidence of Mr. Pim before the Commons, p. 85.

£1. 15s. £1. 11s. 6d. as well as £1. 1s. and £2. 2s. notes. In consequence of the issue of these a less quantity of silver is necessary. If a person has to pay 5s. he can give a £1 10s. note and receive a note for £1 5s. In remote parts of the country; to which silver could not be transmitted but at great expence, this has been found very convenient. Notes for 5s. and 10s. were some years ago issued in Ireland by shop-keepers, but these have been discontinued. In some parts of Scotland, similarly circumstanced, wealthy individuals have issued "I O U" for five shillings, in consequence of the scarcity of silver.

3. Another striking circumstance is the vast proportion of notes under £5 issued by the Provincial Banks.—This is accounted for from the smallness of the transactions and the peculiarities of the Irish trade. In the north of Ireland the people are engaged chiefly in the linen manufacture, and in the south in the exportation of provisions. The linen manufacture of Ireland is not conducted like the cotton manufacture in England, by assembling vast numbers of people in the same building, under the employ of an individual capitalist. In Ireland every weaver weaves his own web and takes it to market. The materials of the manufacture are purchased in small quantities; and the payment for their purchases, as well as for wages, must be made in small sums. These small transactions cannot be conducted by means of large notes. The Belfast Bank issues no notes higher than £2 2s. They tried the experiment of issuing larger notes, but they came back so soon that the profit did not pay the expence. In the south of Ireland, in consequence of the great subdivision of land, the amount of each money transaction is necessarily small. The supplies for the provision trade are produced by a vast number of individual capitalists, each of whom can furnish but a small quantity, and whose receipts of money are limited to small sums. The fairs or markets are attended by an immense number of people, bringing their butter, corn, and

poultry for sale, but few of them individually take back the amount of £5.

The Report of the Select Committee of the House of Commons,

IN REFERENCE TO THE CIRCULATION OF PROMISSORY NOTES IN IRELAND.

"With respect to the circulation of Ireland, the enquiries of your committee have been less extensive than those which they have instituted with respect to Scotland.

"The first law in Ireland which restrained the negociation of promissory notes, was an act passed in the Irish Parliament in the year 1799.

"The preamble recites, that various notes, bills of exchange, and drafts for money, have been for some time past circulated in lieu of cash, to the great prejudice of trade and public credit; and that many of such notes are made payable under certain terms, with which the poorer classes of manufacturers and others cannot comply, unless by submitting to great extortion and abuse. It adds, that the issue of such notes has very much tended to increase the pernicious crime of forgery; and the act proceeds to apply to notes between the value of five pounds, and twenty shillings, similar restrictions to those which had been applied to such notes issued in England by the act which passed in the year 1777. It permits, however, during the suspension of cash payments by the Bank of Ireland the issue of bank post bills, bills of exchange, and drafts under certain regulations, for any sums not less than three guineas. This act did not extend to the Bank of Ireland.

"In 1805, this and some other acts which had passed in the interim, relating to the issue of small notes, were repealed; and notes under twenty shillings, which had been previously admitted, under certain regulations by the act of 1799, were declared void.

"There is at present no law in force imposing any limitation to the period for which notes for a sum not less than twenty shillings may be issued in Ireland.

"A tolerably correct estimate of the amount of promissory notes, above and below five pounds, circulating in Ireland, may be formed from the subjoined returns made by the Bank of Ireland, and by other banks at present established in that country.

"Bank of Ireland notes.—An account of the average amount of the Bank of Ireland notes of five pounds and upwards (including bank post bills) for the years 1820, 1821, 1822, 1823, 1824, and 1825.

(Irish currency.)

Notes and post bills of five pounds and upwards £3,646,660 19s. 6d.

"An account of the average amount of the Bank of Ireland notes under the value of five pounds (including bank post bills) for the years 1820, 1821, 1822, 1823, 1824, and 1825.

(Irish currency.)

Notes and post bills under the value of five pounds £1,643,828, 0s. 5d.

"It appears from the evidence that a practice prevails in Ireland of issuing notes for the payment of sums between one and two pounds, for three guineas, and other fractional sums.

"Your committee see no public advantage rising out of this practice; and they are of opinion, that it ought to be discontinued, as it tends to dispense with the silver coin, and practically to exclude it from circulation.

"Your committee hesitate in the present imperfect state of their information, to pronounce a decisive opinion upon the general measures which it may be fitting to adopt with respect to the paper currency of Ireland.

"Although they are inclined to think that it would not be advisable to take any immediate step for the purpose of preventing the issue of small notes in Ireland, their impressions undoubtedly is, that a metallic currency ought ultimately to be the basis of the circulation in that country.

"It will probably be deemed advisable to fix a definite, though not an early period, at which the circulation in Ireland of all notes below five pounds shall cease; and it is deserving of consideration, whether measures might not be adopted in the interim for the purpose of ensuring such a final result by gradual though cautious advances towards it."

A Summary of the Evidence,

GIVEN BEFORE THE COMMITTEES OF THE TWO HOUSES OF PARLIAMENT, AS TO THE EFFECT OF ABOLISHING THE SMALL NOTE CIRCULATION IN IRELAND.

1. Small currency is necessary to carry on the commercial transactions of the country.

JOHN ACHESON SMYTH, Esq. *Agent for the Belfast Bank at Londonderry.*

"In Lancashire, I believe all the raw material is bought in large parcels, and by bills. In Ireland, the raw material is all bought in small parcels, and all in small notes. In Lancashire, there is only cash wanted to pay the workmen; but we want it both to pay the workmen, and to buy the raw material. The provision and grain that we send to England, are also bought in small notes, and we are reimbursed by drawing bills for our shipments."—*Com. Report, p. 77.*

PIERCE MAHONY, Esq. *Solicitor to the Provincial Bank of Ireland.*

"If the banks were prevented issuing notes under the amount of £5. would any inconveniences arise in conducting the trade of the South of Ireland?—The trade of Ireland generally, and especially in the South of Ireland, would be greatly inconvenienced, and the growth of manufacturers would be decidedly checked, if not destroyed by such a measure. From the great subdivision of land in Ireland, and particularly in the South and West (where the population is almost exclusively agricultural) the produce is disposed of in small portions scarcely ever representing

£5, and almost universally under that amount. I am of opinion, that the withdrawal of all notes under that amount would have the effect of curtailing the accommodation the banks now afford to the public, to a ruinous extent; and that the trade of the country under such circumstances, would not afford profitable employment for banking capital to any extent; and therefore I should anticipate the withdrawal of such establishments except perhaps at Cork and Belfast. In the South and West of Ireland, from the nature of the provision and corn trade, the chief demand for notes, or for gold, commences in October, and continues until March, when that trade is nearly over for the season. From March until October, the butter trade is almost the only one in the South and West of Ireland, and as that trade would not employ all the capital that is required in the winter season, the effect would be if sovereigns were substituted for small notes, that the extra supply required for the corn, beef, and pork trade, must remain idle in the banker's chest, or be remitted at great risk and expence for employment elsewhere during the summer and autumn.

"Do you think if a metallic circulation was adopted that there would be a difficulty in maintaining that metallic circulation?—I do; because the trade in the South and West of Ireland is periodical; the remittances from those districts of Ireland would force the gold away at certain periods, and it must be returned at others with considerable expence to meet the trade of the country."—*Com. Report, p.p. 250, 251.*

2. A gold currency would be more inconvenient than notes, and would not be so well liked by the people.

Mr. LEONARD DOBBIN, Agent for the Northern Banking Company of Belfast, at Armagh.

"Do the people of the north of Ireland manifest any wish for gold in preference to notes, or for notes in preference to gold?—They decidedly prefer notes, and the weavers have refused to carry gold out of the market lately.

"Can you assign any reason for this preference?—There are many reasons that I could assign. The bank notes are now the established currency; the people are perfectly acquainted with them. If a man should lose notes, or a house be robbed, or if there is a forgery, it would be much better for them to trace the notes than it would gold. I have often assisted poor people in tracing notes that were robbed, and forged notes, whereas the gold could not be traced so readily. Another reason I would give is this, guineas became light, and were troublesome to the people. When standing beam there was a shilling charged, and when lighter than standing beam, two shillings and sixpence; and when gold was scarce, and bank notes not a legal tender, the land agents refused to take any thing but gold, the tenants were obliged to pay from one shilling to four shillings on a guinea discount. Some agents would only take gold."—*Com. Report, p. 243.*

J. A. SMYTH, Esq. *Linen Merchant, and Agent for the Belfast Bank at Londonderry.*

"I am in the habit of employing my linen buyers to go to the country markets, and I must supply them with the week's money before they start, perhaps five hundred or a thousand pounds ; they have to go through the interior of the country, and do not return for a week. They make their purchases all in small quantities, and it is more convenient for them to carry notes than gold."—*Lords' Report*, p. 7.

ARTHUR GUINNESS, Esq. *Director of the Bank of Ireland.*

"I conceive that with the persons who handle the circulation of the country, there is a decided preference in favour of small notes, over cash in every respect. I speak from mine own experience ; for I remember perfectly well before the restriction upon cash payments when gold was a great inconvenience in trade. I speak of those who handle the currency of the country, among whom I think the preference is in favour of the small notes as more convenient, more portable, and less liable to counterfeit. I conceive these to form the general ground of preference.—*Com. Report*, p. 237.

3. The profits of the banking establishments would be so much diminished that they could not extend the same accommodation to the agricultural and commercial classes.

W. P. LUNNEL, Esq. *Director of the Bank of Ireland.*

"If the notes under £5 were prohibited, would the profits of the Bank of Ireland be materially affected by such prohibition ?—I should expect that they would suffer : they must sacrifice a certain profit."

"Have you considered to what extent the profits of other bankers would be affected ?—I should expect that the principal circulation of the country bankers is in small notes, and therefore in that proportion they would suffer.—*Lords' Report*, p. 108.

JOHN HOLMES HOUSTON, Esq. *Banker at Belfast.*

"If all the notes under £5 were prohibited to be issued, would it be worth while in your opinion to keep the establishment of a bank in Belfast ?—I do not think it would, except by carrying it on in the same manner as formerly it was—to keep a discount office, charging a commission on discounting bills, because £5 notes would not circulate ; then our circulation would be so trifling it would not answer."—*Lords' Report*, page 35.

H. A. DOUGLAS, Esq. *Director of the Provincial Bank of Ireland.*

"I consider the cash-account system, and the one-pound circulation so connected, that if the notes are withdrawn, it is understood that our establishment will not grant any further cash-credits.—The business which we carry on, even if we charged a higher rate of interest, or a commission, would not be of sufficient magnitude to repay us for the

expence of our establishment, independent of our notes.—If the issue of small notes be withdrawn, then we cannot afford to allow interest on deposits.”—*Lords' Report*, page 24, 26, 27.

4. The abolition of small notes would prevent the investment of British capital in the present banking establishments.

T. S. RICE, Esq. M. P. and *Director of the Provincial Bank of Ireland*.

“ Is it your opinion, that if all notes under £5 were abolished, a considerable inconvenience would arise in the ordinary traffic in Ireland?—I conceive that it would. I conceive that the first effect of the extinction of all notes below £5 would be a much more considerable diminution of the general mass of the circulating medium in Ireland than in England.

“ I fear extremely, that if any thing were to occur which materially diminished the profits of our establishment, it would have the effect of depriving us of one of the chief benefits of the establishment, namely, the support and controul of British capitalists, and conducting the bank by British merchants, and upon British commercial principles. I conceive a rate of profit, rather higher than the average rate of profits, is essential to induce persons so circumstanced to engage in such a business, more particularly when it is considered that there is no limitation of responsibility by the grant of charters.”—*Lords' Report*, p. 47, 51.

5. The gold currency would be sent out of the country whenever it bore a premium in England.

HENRY H. HUNT, Esq. *Local Director of the Provincial Bank of Ireland, at Waterford*.

“ What do you think would be the consequence of a law which prohibited the issue of notes below £5, both by the Bank of Ireland and by any other banking establishment in Ireland?—I should think it would be very hazardous indeed: I should very much apprehend that the gold circulation would at times be *withdrawn* in a very great degree *from the country*, whenever gold was wanted in London; for instance, A SMALL PREMIUM UPON A SOVEREIGN WOULD INDUCE A VAST QUANTITY OF THEM TO BE BROUGHT OUT OF IRELAND.”

“ Have you ever known instances of quantities of gold being brought over from Ireland to this country, and persons making a regular traffic of it?”—I have.—*Commons' Report*, p. 73, 74.

6. The proposed measure would cause general distress and prevent the progress of enterprize.

JOHN ROBINSON PIM, Esq. *General Merchant in Dublin*.

“ The very idea of curtailing the currency under five pounds, would have a tendency to discourage all adventure in Ireland at present. I should not, for one, be careful of placing money in any kind of machinery till the effect was tried. I fancy it would reduce property very much in that country,—and sometimes fancies are almost as bad as reality.—*Lords' Report*, page 91.

7. The proposed measure would be a violation of the charter of the Bank of Ireland.

ARTHUR GUINNESS, Esq. *Director of the Bank of Ireland.*

“ You are aware that an act of parliament passed in the twenty-first* year of the late king, on the occasion of increasing the capital of the Bank of Ireland.—I am.”

“ The government, by that act of parliament, are bound to receive Bank of Ireland notes in payment of all sums of money if offered, fractional parts of twenty shilling only being excepted.—They are.”

“ If then the government were to prevent you issuing notes under £5, would not the effect be the same as refusing to accept notes less than £5 in payment?—The effect would be the same.”

“ Then to all intents and purposes it would be a breach of faith in one case as well as in the other.—I conceive it would.—*Report of the Select Committee of the House of Commons, page 240.*

* It is obvious that the question has assigned a *wrong date* to this act: it was passed July 2, 1821.

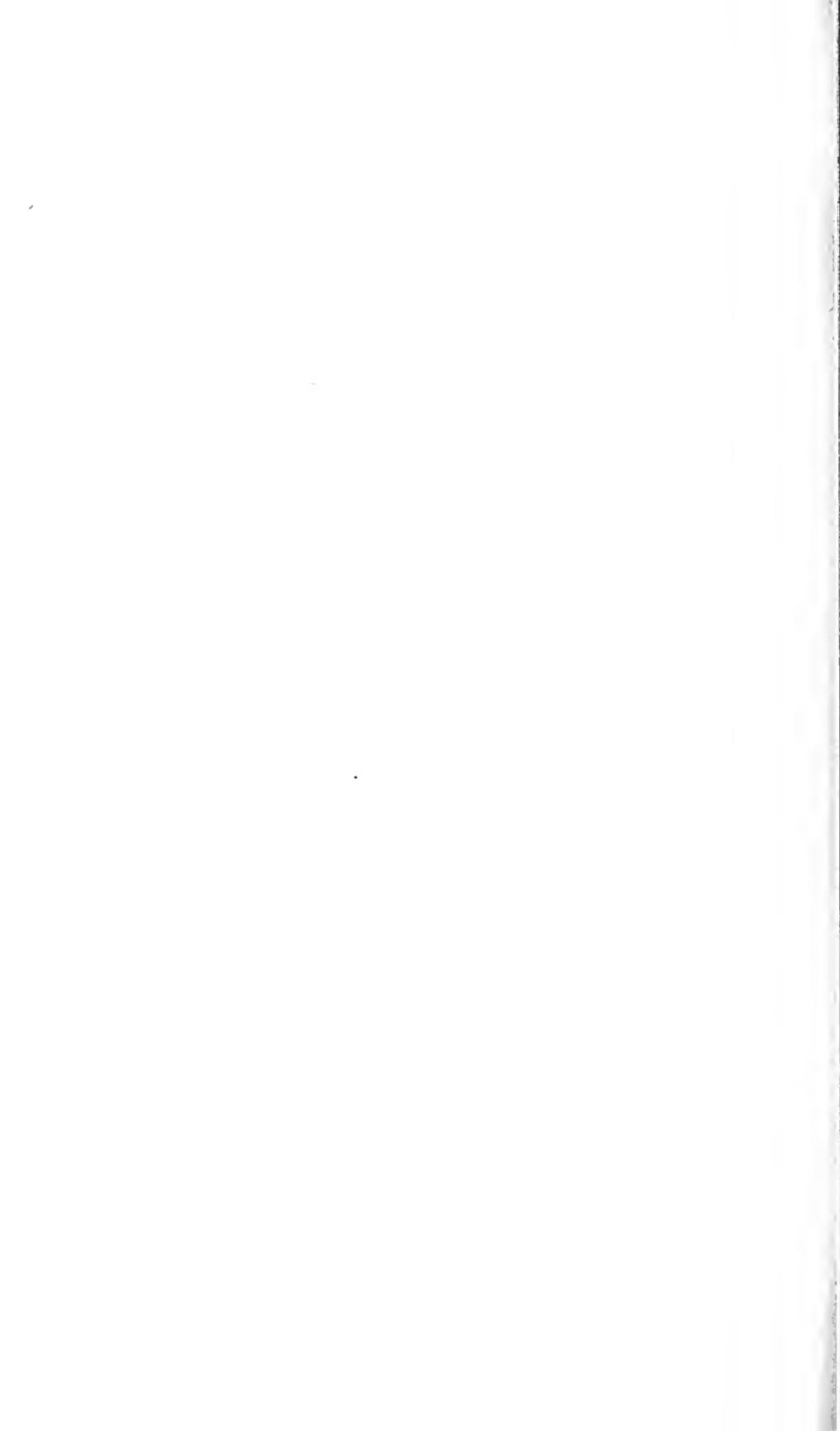
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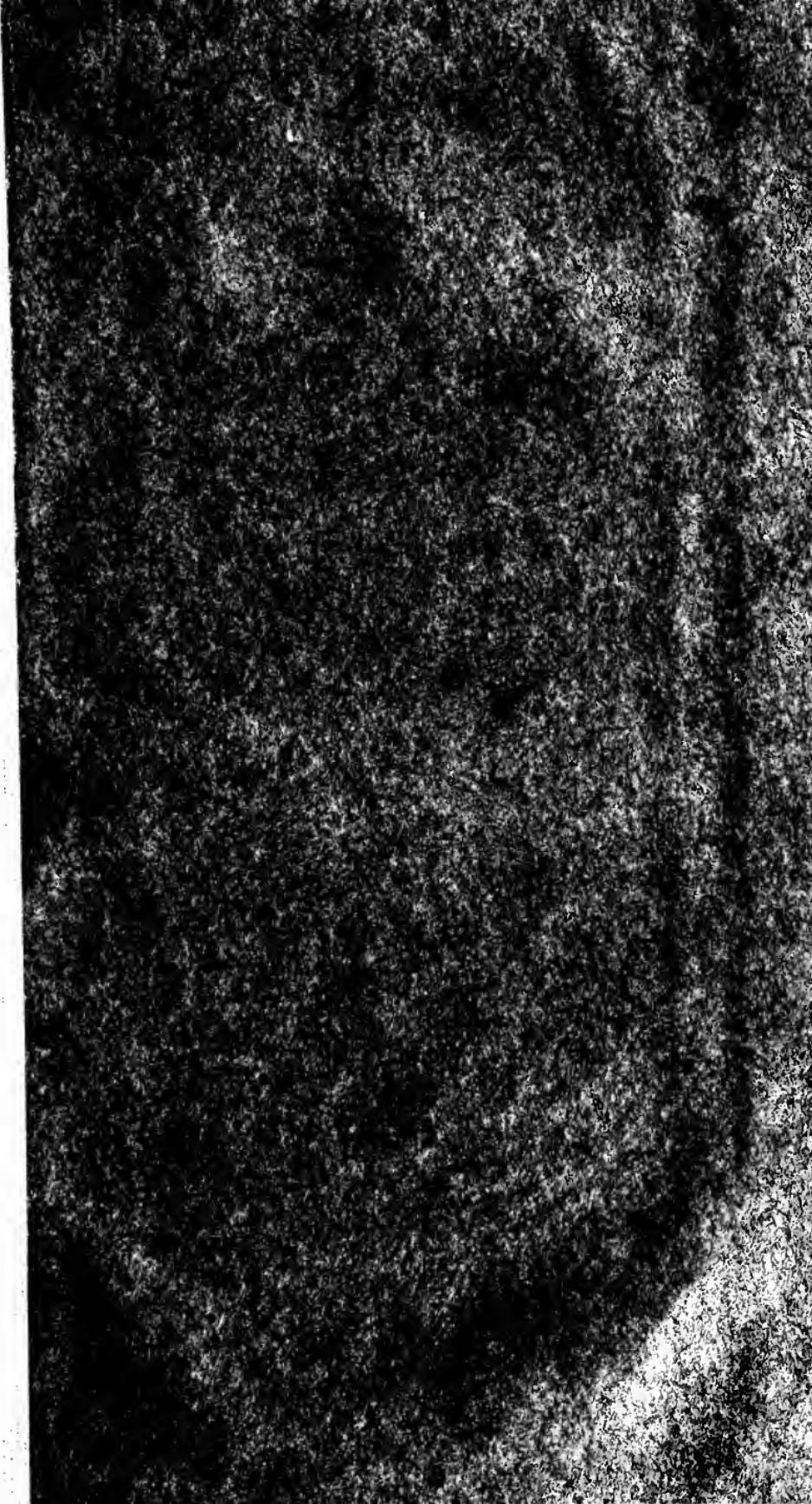
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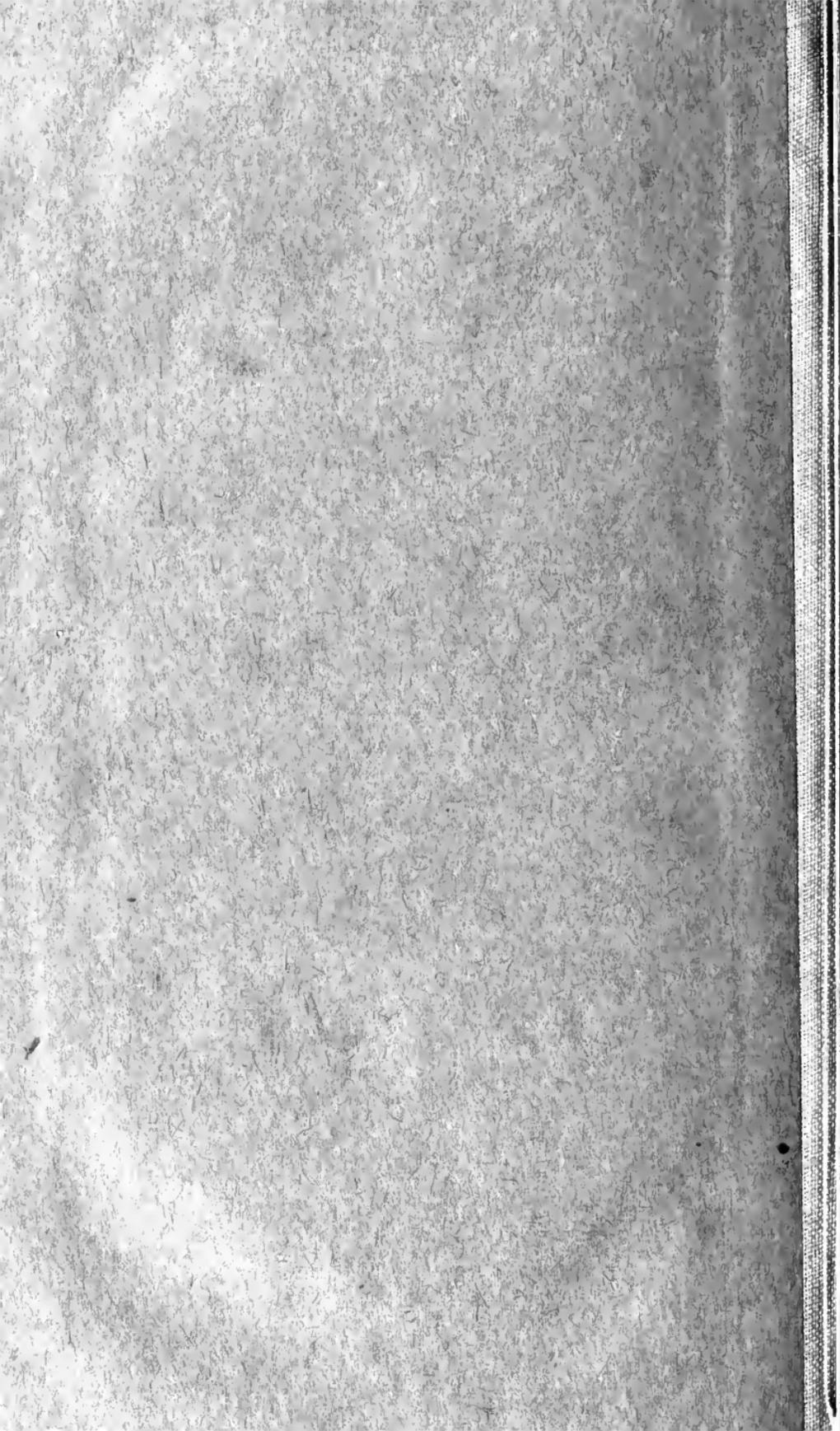
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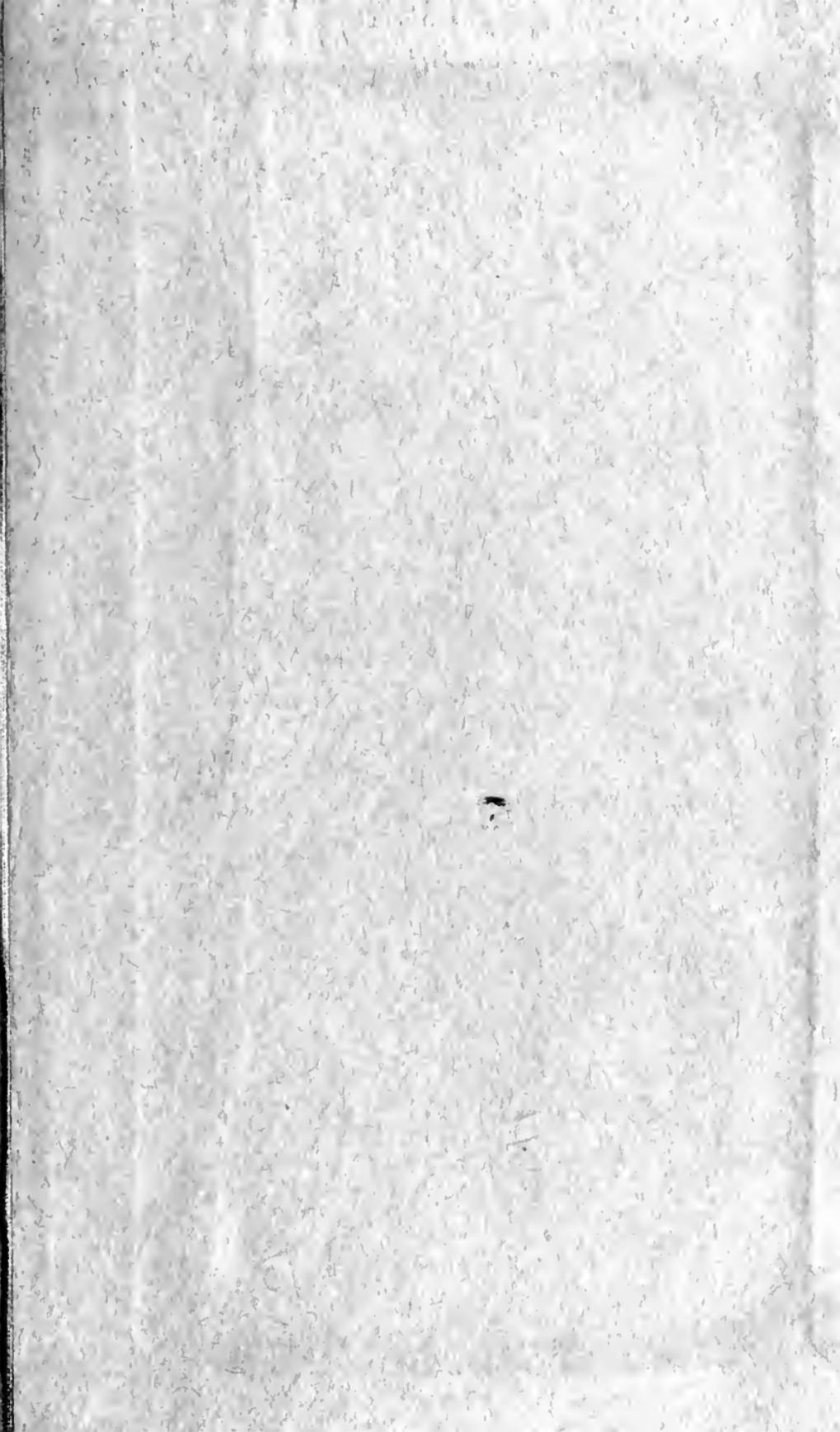
Page 22, line 31, for £1,000 new fours, read £10,000 new fours.
Page 32, line 20, for drawer read drawee.











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